BOARD of SUPERVISORS

City Hall
Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. 554-5184
Fax No. 554-5163
TDD/TTY No. 544-5227

2/27/00
canceled
&
1/3/01
canceled

NOTICE OF CANCELLED MEETINGS

FINANCE AND LABOR COMMITTEE

SAN FRANCISCO BOARD OF SUPERVISORS

NOTICE IS HEREBY GIVEN that the meetings of the Finance and Labor Committee scheduled for Wednesday, December 27, 2000, and Wednesday, January 3, 2001, at 10:00 a.m., at 1 Dr. Carlton B. Goodlett Place, Room 263, City Hall, San Francisco, California, have been **cancelled**.

Gloria L. Young, Clerk of the Board

POSTED: DECEMBER 19, 2000

BOARD of SUPERVISORS

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NOTICE OF CANCELLED MEETING

FINANCE AND LABOR COMMITTEE

SAN FRANCISCO BOARD OF SUPERVISORS

NOTICE IS HEREBY GIVEN that the meeting of the Finance and Labor Committee scheduled for Wednesday, January 10, 2001, at 10:00 a.m. at 1 Dr. Carlton B. Goodlett Place, Room 263, City Hall, San Francisco, California, has been **cancelled**.

Gloria L. Young, Clerk of the Board

FINANCE AND LABOR COMMITTEE
S.F. BOARD OF SUPERVISORS
CITY HALL, ROOM 244
1 DR. CARLTON GOODLETT PLACE
SAN FRANCISCO, CA 94102-4689

IMPORTANT HEARING NOTICE!!!

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City and County of San Francisco
Meeting Minutes
Finance and Labor Committee

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA
94102-4689

Members: Supervisors Leland Yee, Tom Ammiano and Mark Leno

Clerk: Gail Johnson

Wednesday, January 17, 2001 **10:00 AM** **City Hall, Room 263**

Regular Meeting

Members Present: Leland Y. Yee, Tom Ammiano, Mark Leno.

MEETING CONVENED

The meeting convened at 10:08 a.m. Board President Ammiano appointed Supervisor Leno to serve on the Finance and Labor Committee for today's meeting.

002191 **[Contract for Electric Service, Treasure Island and Yerba Buena Island]**

Resolution approving the contract between the City and County of San Francisco and the United States, through the Department of Energy Western Area Power Administration, for the delivery of low cost electric power for use at Treasure Island on file with the Clerk of the Board of Supervisors File No. 002191; and approving indemnifying and holding harmless the United States against claims arising from the activities of the City under the contract; and waiving requirement of Section 21.35 of the San Francisco Administrative Code that every contract contain a statement regarding liability of claimants for submitting false claims; and waiving requirement of Section 21.19 of the San Francisco Administrative Code that every contract contain a statement regarding guaranteed maximum costs. (Public Utilities Commission)

(Fiscal impact.)

12/13/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Marla Jurosek, Director of Retail Services, Public Utilities Commission; Richard Robinson, McMillan Drop-In Center.

RECOMMENDED by the following vote:

Ayes: 3 - Yee, Ammiano, Leno

001796 **[Creating a Special Assistant XVI position at the Board of Appeals, while Director is on medical leave]**
Ordinance appropriating $105,065 from the General Fund Reserve to fund the salary and fringe benefits of a Special Assistant XVI at the Board of Appeals, while Director is on medical leave and operating expenses, and amending Annual Salary Ordinance for fiscal year 2000-01. (Controller)

(Companion measure to File 001797.)

11/22/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

12/13/00, SUBSTITUTED. Substituted by Controller 12/13/00, bearing new title.

12/13/00, ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Linda Avery, Acting Executive Secretary, Board of Appeals. Amended as follows: On page 1, lines 2, 14 and 25, by replacing "$105,065" with "$73,364"; on line 6, by adding "placing $36,682 on reserve"; on line 18, by replacing "$52,184" with "$49,972"; on line 20, by replacing "$20,919" with "$9,415"; on line 22, by replacing "$14,302" with "$11,494"; on line 23, by replacing "$7,660" with "$2,483." Further amended on page 2 by adding the following: "Section 3. Funds in the amount of $36,682 are hereby placed on reserve for three months, to be released by the Finance and Labor Committee." New title.

AMENDED.

Ordinance appropriating $73,364 from the General Fund Reserve to fund the salary and fringe benefits of a Special Assistant XVI at the Board of Appeals, while Director is on medical leave and operating expenses, and amending Annual Salary Ordinance for fiscal year 2000-01; placing $36,682 on reserve. (Controller)

(Companion measure to File 001797.)

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Yee, Ammiano, Leno

001797 **[Public Employment, Board of Appeals]**
Ordinance amending Ordinance No. 181-00 (Annual Salary Ordinance, 2000/01) reflecting the creation of one position at the Board of Appeals. (Human Resources Department)

(Companion measure to File 001796.)

11/22/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

12/13/00, SUBSTITUTED. Substituted by Human Resources Department 12/13/00, bearing same title.

12/13/00, ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Linda Avery, Acting Executive Secretary, Board of Appeals.

RECOMMENDED by the following vote:

Ayes: 3 - Yee, Ammiano, Leno

002087 [Fund litigation and mediation expenses for VIACOM, AT&T, and TCI appeals for the Assessor's Office]

Ordinance appropriating $1,245,909 of the General Reserve-Litigation to fund the litigation and mediation expenses associated with the VIACOM, AT&T, and TCI appeals and development and implementation of reengineering plan for the Assessor's Office for fiscal year 2000-01. (Controller)

(Fiscal impact.)

11/20/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

12/1/00, SUBSTITUTED. From Controller, Funding Sources on page 1, line 13 should have reflected "G" for grant funded; same title.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Doris Ward, Assessor; Edward Harrington, Controller. Amended on page 2, lines 7 and 15, by replacing "$223,887" with "$176,297." After further consideration, the legislation was divided into two separate pieces. See File 010108.

AMENDED.

DIVIDED.

Ordinance appropriating $471,593 of the General Reserve to fund the litigation and mediation expenses associated with the VIACOM, AT&T, and TCI appeals for the Assessor's Office for fiscal year 2000-01. (Controller)

(Fiscal impact.)

RECOMMENDED AS DIVIDED by the following vote:

Ayes: 3 - Yee, Ammiano, Leno

010108 [Fund the development and implementation of Reengineering Plan for the Assessor's Office Efficiency Program]

Ordinance appropriating $726,726 of the General Reserve to fund the implementation of Reengineering Plan, for the Assessor's Office for fiscal year 2000-01. (Assessor-Recorder)

(Supervisor Leno dissenting in Committee.)

Divided from File 002087.

CONTINUED TO CALL OF THE CHAIR by the following vote:

Ayes: 3 - Yee, Ammiano, Leno

002184 **[Funding for operating costs and implementation of a State required Customer Service Unit]**

Ordinance appropriating $839,562 to support both continuing operating costs and the implementation of a State required Customer Service Unit ($594,262 for Child Support Service Division and $245,300 for CSS Cases Consortium) and the creation of two positions at the Department of Child Support for fiscal year 2000-01. (Controller)

(Fiscal impact; Companion measure to File 002183.)

12/13/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Milton Hyams, Acting Director, Department of Child Support Services. Amended on page 1 as follows: On line 2, by replacing "$839,562" with "780,837"; on line 3, by replacing "$594,262" with "$535,537"; on line 5, by adding "ratifying action previously taken"; on line 15, by replacing "$392,214" with "$353,455"; on line 18, by replacing "$202,048" with "$182,082"; on line 22, by replacing "$85,416" with "$53,385"; on line 24, by replacing "$21,354" with "$13,346". Amended on page 2 as follows: On line 16, by replacing "$144,945" with "$126,259"; and on line 18, by replacing "$839,562" with "780,837". Amended on page 3 by adding the following: "Section 3. The Department of Child Support Services shall eliminate the two 8204 Institutional Police Officer positions as soon as each position becomes vacant." Further amended on page 3 by adding Section 4 to provide for ratification of action previously taken. New title.

AMENDED.

Ordinance appropriating $780,837 to support both continuing operating costs and the implementation of a State required Customer Service Unit ($535,537 for Child Support Service Division and $245,300 for CSS Cases Consortium) and the creation of two positions at the Department of Child Support for fiscal year 2000-01; ratifying action previously taken. (Controller)

(Fiscal impact; Companion measure to File 002183.)

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Yee, Ammiano, Leno

002183 **[Creating two (2) positions in Child Support Services]**

Ordinance amending Ordinance No. 181-00 (Annual Salary Ordinance, 2000/01) reflecting the creation of two positions in Child Support Services. (Human Resources Department)

(Fiscal impact; Companion measure to File 002184.)

12/13/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Milton Hyams, Acting Director, Department of Child Support Services.

RECOMMENDED by the following vote:

Ayes: 3 - Yee, Ammiano, Leno

001251 **[Reserved Funds, Department of Public Health]**

Hearing to consider release of reserved funds, Department of Public Health (Fiscal Year 2000-2001 Budget), in the amount of $1,233,854, to fund the San Francisco General Hospital-Department of Psychiatry Acute Inpatient Service. (Public Health Department)

12/6/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Ken Bruce, Budget Analyst's Office; Monique Zmuda, Chief Financial Officer, Department of Public Health. Release of reserved funds in the amount of $1,233,854 approved.

APPROVED AND FILED by the following vote:

Ayes: 3 - Yee, Ammiano, Leno

002187 **[Contract between the Dept. of Public Health and Health Advocates, LLP to provide uncompensated care recovery services]**

Resolution authorizing the Director of Public Health and the Purchaser to execute a contract between the City and County of San Francisco and Health Advocates, LLP to provide uncompensated care recovery services. (Public Health Department)

12/13/00, RECEIVED AND ASSIGNED to Public Health and Environment Committee.

12/28/00, TRANSFERRED to Finance and Labor Committee. At the request of the President, this matter is to be scheduled for the January 10, 2001 meeting.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Monique Zmuda, Chief Financial Officer, Department of Public Health; Steve Reid, President, Paralign; Diane Sovereign (attorney); Linda Safir, Director of Sales, Paralign; Karla Fine, Manager, Paralign; Fanny Mayorga, Paralign; Juan Sosa, Paralign; Helen Lim, Paralign; Robert McCarthy (registered to speak for Paralign); Al Leibovic, Health Advocates; Theodore Lakey, Deputy City Attorney; Edward Harrington, Controller.
Continued to January 31, 2001.

CONTINUED by the following vote:

Ayes: 3 - Yee, Ammiano, Leno

002185 **[Lease of property for DPH-Health Promotion and Prevention Unit currently located at 101 Grove Street, to alleviate overcrowding]**

Resolution authorizing the lease of 11,125 square feet at 30 Van Ness Avenue for the Department of Public Health. (Public Health Department)

(Fiscal impact.)

12/13/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Anthony Delucchi, Director of Property, Real Estate Department.

RECOMMENDED by the following vote:

Ayes: 3 - Yee, Ammiano, Leno

002145 **[S. F. International Airport Advertising Program Lease]**

Resolution approving San Francisco International Airport Advertising Program Lease between Transportation Media, Inc. (a division of Eller Media) and the City and County of San Francisco, acting by and through its Airport Commission. (Airport Commission)

12/6/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Cathy Widener, Governmental Affairs Administrator, Airport.

Continued to January 31, 2001.

CONTINUED by the following vote:

Ayes: 3 - Yee, Ammiano, Leno

001252 **[Reserved Funds, Port of San Francisco]**

Hearing to consider release of reserved funds, Port of San Francisco (San Francisco Harbor Operating Funds, File 101-96-19, Ordinance No. 470-96), in the amount of $460,000 for Piers 48 and 50 Fire Protection project. (Port)

12/5/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Imani Haygood, Port. Release of reserved funds in the amount of $460,000 approved.

APPROVED AND FILED by the following vote:

Ayes: 2 - Yee, Leno
Absent: 1 - Ammiano

002163 **[Contracting out City services]**

Mayor

Resolution concurring with the Controller's certification that assistance to certain victims of crime and education in community anti-street violence can be practically performed for the District Attorney's Victim Witness Assistance Program by a private contract for a lower cost than similar work services performed by City and County employees.

12/11/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speaker: Harvey Rose, Budget Analyst. Amended on page 1, line 2, after "concurring," and on page 2, line 4, after "concurs," by adding "retroactively."

AMENDED.

Resolution concurring, retroactively, with the Controller's certification that assistance to certain victims of crime and education in community anti-street violence can be practically performed for the District Attorney's Victim Witness Assistance Program by a private contract for a lower cost than similar work services performed by City and County employees.

RECOMMENDED AS AMENDED by the following vote:

Ayes: 2 - Yee, Leno
Absent: 1 - Ammiano

002186 **[Option to extend lease at One Market Plaza (Steuart Tower, Second Floor) for Dept. of Telecommunications and Information Services]**

Resolution authorizing the exercise of option regarding an extension of a real property lease at One Market Plaza, on behalf of the Department of Telecommunications and Information Services. (Real Estate Department)

(Fiscal impact.)

12/13/00, RECEIVED AND ASSIGNED to Finance and Labor Committee. Sponsor requests that this item be scheduled for the January 10, 2001, meeting. Item needs to be considered as soon as possible.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Anthony Delucchi, Director of Property, Real Estate Department.

RECOMMENDED by the following vote:

Ayes: 3 - Yee, Ammiano, Leno

002217 **[Reserved Funds, Police Department]**

Hearing to consider release of reserved funds, Police Department (Fiscal Year 2000-01 Budget), in the amount of $4,297,098 to defray overtime costs. (Police Department)

12/20/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Captain John Goldberg, Police Department, Fiscal Division. Release of reserved funds in the amount of $4,297,098 approved.

APPROVED AND FILED by the following vote:

Ayes: 3 - Yee, Ammiano, Leno

ADJOURNMENT

The meeting adjourned at 12:29 p.m.

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST
1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

January 11, 2001

TO: Finance and Labor Committee

FROM: Budget Analyst

SUBJECT: January 17, 2001 Finance and Labor Committee Meeting

Item 1 – File 00-2191

Department: Public Utilities Commission (PUC)

Item: Resolution approving the contract between the City and County of San Francisco and the United States, through the Department of Energy Western Area Power Administration, for the delivery of low cost electrical power for use at Treasure Island; and approving, indemnifying, and holding harmless the United States against claims arising from the activities of the City under the contract; and waiving the requirement of Section 21.35 of the San Francisco Administrative Code that every contract contain a statement regarding liability of claimants for submitting false claims; and waiving the requirement of Section 21.19 of the San Francisco Administrative Code that every contract contain a statement regarding guaranteed minimum costs.

Electric Service Provider: Administrator, Western Area Power Administration, United States Department of Energy (WAPA)

Term of Contract:	January 1, 2005 to December 31, 2024 (20 year term). According to Ms. Marla Jurosek of the PUC, this contract is being prepared four years in advance of its commencement date in order to comply with WAPA's contracting timeline to secure the continuation of WAPA electric service provision for twenty years after January 1, 2005. Ms. Jurosek states that, by law, Federal preference hydropower (including the electrical power generated by WAPA) must be sold at cost and only for authorized uses. The development of Treasure Island[1] is such an authorized use.
Cost Payable by the City to the United States Department of Energy:	Up to a maximum of $20,000,000, at an average of $1,204,500 per year over the 20 year term of the proposed contract (see Comment No. 3).
Source of Funds:	Proceeds of the sale of electrical power to Treasure Island tenants. These proceeds are held by the Treasure Island Development Authority. According to Ms. Eila Arbuckle of the Treasure Island Development Authority, the Treasure Island Development Authority is self-supporting through facility rentals.
Description:	The City is currently providing operations and maintenance services at Treasure Island, initially under a multi-year Cooperative Agreement with the U.S. Navy. The Cooperative Agreement with the Navy was approved by the Board of Supervisors in August of 1997 (File 244-97-4). Ms. Arbuckle states that the bulk of Navy financial support expired on September 30, 2000, with ongoing minimal funding of $145,000 for caretaking services provided until September 30, 2001. Ms. Arbuckle further states that the Treasure Island Development Authority has issued a Request for Qualifications for a primary developer for Treasure Island and a selection is due to be made by June 30, 2001, at which time the City expects to acquire the title to former Treasure Island Naval Station

[1] All references to Treasure Island in the proposed contract and this report also refer to the adjoining Yerba Buena Island.

and transfer management responsibility to the selected developer. Under the Federal Base Closure and Realignment Act, the City is the local reuse authority for the Treasure Island Naval Station. As the local reuse authority, the City has acted as the entity focused on the planning, redevelopment, reconstruction, rehabilitation, reuse, and conversion of the Treasure Island Naval Station for the public interest, convenience, welfare, and common interest of the citizens of San Francisco. Since October 1, 1997, the PUC has been providing electrical power to Treasure Island, initially purchasing WAPA electrical power through the Navy, and then purchasing WAPA electrical power directly under the PUC's existing contract with WAPA, as explained below.

Under the Federal Base Closure and Realignment Act, the United States Department of Energy makes low-cost Federal electrical power available to support economic development for the conversion of military bases. Between October 1, 1997 and September 29, 1998, the Navy purchased such Federal electrical power from WAPA on behalf of the PUC in order to supply electrical power to Treasure Island. On October 7, 1998, the Board of Supervisors approved a contract between the City and the United States Department of Energy which enabled the PUC to purchase such power directly from WAPA in order that the City could continue to receive the benefits of the low cost Federal electrical power without having to purchase it through the Navy (File 98-1776). This contract came into effect on October 1, 1998 and is due to expire on December 31, 2004.

Approval of the subject resolution would enable the City to continue purchasing low cost Federal National Defense Authorization Act electrical power for Treasure Island for an additional 20 years.

Comments:

Cost

1. WAPA would provide electrical power to the City on a "take-or-pay basis." Under this arrangement, the City would be obligated to pay for its percentage share of the costs related to WAPA's generation of electrical power, whether or not the City uses its full allocation of electrical

power. According to Ms. Jurosek and Mr. Joe Como of the City Attorney's Office, the City's allocation is 0.17264 percent of WAPA's total electrical power generation, based on (a) the percentage of WAPA resources provided to the Navy at the Treasure Island Naval Station prior to its closure, and (b) a small additional percentage of power which WAPA has determined that each of its customers could use in the future[2]. The City would pay for that allocation of electrical power in accordance with a schedule of rates determined by the United States Department of Energy[3]. The subject contract provides for an exchange program whereby the City could make any unusable portion of its WAPA electrical power allocation available to other WAPA customers. The City would be reimbursed at a "pool energy rate" determined by the United States Department of Energy. Any electrical power not consumed by WAPA customers could be provided by WAPA to the open market. Revenues collected by WAPA from the open market would be credited to the customers up to the "pool energy rate", and any revenues in excess of that rate would be retained by WAPA[4].

2. According to Ms. Jurosek, the peak electric demand on Treasure Island is currently 3 megawatts of electrical power and growing. Under the proposed contract, the initial WAPA allocation is between 3 and 5 megawatts of electrical power. The peak demand for electrical power upon completion of development on Treasure Island is unknown, but depending on the development concepts

[2] The subject contract provides for the City's percentage to be adjusted on January 1, 2015, as part of the United States Department of Energy's establishment of a 2015 Resource Pool for new power allocations. Any reallocations would be based on WAPA customers' actual electrical power usage in 2015. Ms. Jurosek states that this action in 2015 would represent a mid-term reallocation of resources based on actual usage.

[3] The United States Department of Energy can change the rates unilaterally, but its customers can terminate the services being charged at the new rates within two years of the effective date of the rate change (so long as they provide written notice of their intention to terminate within 90 days of the effective date of the new rate). Ms. Jurosek advises that this minimizes the City's risk if electrical power provided by WAPA at some point becomes more expensive than other options. However, even if the City terminates WAPA's services, the City would still be required to pay at the new rate for services consumed after the effective date of the rate change.

[4] According to Ms. Jurosek, while the City currently pays for more WAPA power than it actually uses on Treasure Island under the "take-or-pay basis" of the current WAPA contract, the City has been reimbursed at a "pool energy rate" for that portion of its electrical power allocation which it has not used but instead made available to other WAPA customers, or to the open market.

actually constructed, the peak demand has been projected to be as high as 20 megawatts of electrical power.

Ms. Jurosek states that the average cost of WAPA electrical power over the 20 year term is projected to be $50 per megawatt, based on an average 5 megawatt peak demand over a one year period, at a 55 percent load factor per year for 20 years. This would result in a projected annual cost of approximately $1,204,500 per year[5] which, over 20 years, would exceed the $20,000,000 cap approved by the Public Utilities Commission in its resolution of November 14, 2000 (see Comment No. 3). By contrast, if the City had to purchase that amount of electrical power on the spot market at today's prices, it could cost approximately $6,022,500 per year[6], or $4,818,000 or 400 percent more per year than power purchased under the proposed WAPA contract. Ms. Jurosek calculated the spot market figure on the basis of the short term average price for electrical power in December of 2000 of $250 per megawatt hour, noting that power exhange prices spiked as high as $1,500 per megawatt hour in December of 1999[7].

3. Ms. Jurosek advises that the estimated cost of $1,204,500 per year for 20 years under the proposed WAPA contract would total $24,090,000, which exceeds the $20,000,000 cap approved by the Public Utilities Commission in its resolution of November 14, 2000. Ms. Jurosek states that the PUC will track its purchases under the proposed WAPA contract and if it believes that it will exceed the $20,000,000 cap, it will request approval of an increase in that cap by the Public Utilities Commission and the Board of Supervisors.

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[5] Ms. Jurosek calculates the figure of $1,204,500 as follows: 5 megawatts x 24 hours x 365 days x 55 percent average load factor = 24,090 megawatts x $50 = $1,204,500.

[6] Ms. Jurosek calculates the figure of $6,022,500 using the same assumptions about electrical power consumption on Treasure Island as above, as follows: 5 megawatts x 24 hours x 365 days x 55 percent average load factor = 24,090 megawatts x $250 = $6,022,500.

[7] Ms. Jurosek notes, with regard to electrical power imported into California, that the highest price at the California-Oregon border thus far in FY 2000-01 has been $4,500 per megawatt hour, and that the highest price paid by Hetch Hetchy thus far in FY 2000-01 has been $800 per megawatt hour.

Contract Details

4. Mr. Como states that the contract with the United States Department of Energy requires that the City indemnify and hold harmless the Federal Government against claims arising from the activities of the City. Therefore, this proposed resolution includes such an indemnification provision. Mr. Como states that the proposed indemnification provision poses minimal risk to the City because the City is purchasing a commodity from the Federal Government in the form of electrical power. According to Mr. Como, under a commodity purchase contract with the Federal Government, there is minimal probability that the Federal Government would be harmed by its contract to sell power to the City. Therefore, according to Mr. Como, it is fair to say that there is minimal risk to the City in indemnifying WAPA.

5. The Administrative Code requires all City contracts to contain language regarding (a) a guaranteed maximum cost under a contract (Section 21.19), and (b) the consequences of submitting false claims to the City (Section 21.35). The proposed resolution would waive such requirements. According to Mr. Como, the United States Department of Energy insists on using its standard contract language for this contract and such language does not include the provisions that are required by the Administrative Code Sections 21.19 and 21.35.

According to Mr. Como, there is no need for a contract maximum, as required by Section 21.19 of the Administrative Code. In approving the contract, the Public Utilities Commission has stipulated, in the PUC resolution approved on November 14, 2000, that total expenditures through the contract term ending on December 31, 2024 shall not exceed $20,000,000. That amount will be certified by the Controller. As the amount is calculated on the basis of the maximum volumes available to the City under the contract, greater expenditures would not be possible, according to Mr. Como.

With regard to Section 21.35 of the Administrative Code, Mr. Como advises that, since the City is easily able to

verify the amounts of electrical power that are purchased and the price per kilowatt hour is stipulated in the contract, contract language regarding the consequences of submitting false claims to the City is unnecessary

Recommendation: Approve the proposed resolution.

Items 2 and 3 - Files 00-1796 and 00-1797

Note: This report is based on an Amendment of the Whole for both File 00-1796 and File 00-1797 submitted by the Board of Appeals, which will be introduced at the January 10, 2001 Finance and Labor Committee Meeting. The Amendment of the Whole reclassifies the proposed new position from Special Assistant XV 1374L to Special Assistant XVI 1375L to reflect the current Planning Department position held by the individual that has assumed the duties of the Executive Secretary of the Board of Appeals.

Department: Board of Appeals

Items: Item 3 - File 00-1796: Ordinance appropriating $105,065 from the General Fund Reserve to fund the salary and fringe benefits of a Special Assistant XVI at the Board of Appeals while the Executive Secretary is on medical leave, operating expenses and amending the Annual Salary Ordinance for FY 2000-01.

Item 4 - File 00-1797: Ordinance amending No. 181-00 (Annual Salary Ordinance, 2000/01) reflecting the creation of one 0.61 FTE Special Assistant XVI 1375 Limited duration position at the Board of Appeals.

Amount: $105,065

Source of Funds: General Fund Reserve

Description: File 00-1796: The Board of Appeals (BOA) is requesting a supplemental appropriation in the amount of $105,065 from the General Fun Reserve to fund overtime salaries and a 0.61 FTE Special Assistant XVI 1375L Limited Duration position and provide additional funds for an existing Temporary Exempt 1426 Senior Clerk Typist position in the BOA.

According to Ms. Catherine Johnson of the BOA, the BOA Executive Secretary suffered a stroke and went on sick leave on September 5, 2000. Ms. Johnson advises that since the Executive Secretary's departure, the existing BOA staff have been working overtime to ensure that the Appeal Hearings would continue, as scheduled. Therefore, Ms. Johnson advises that the BOA is requesting a supplemental appropriation for overtime in the amount of $7,660 for the period from September 18, 2000 through June 30, 2001, so

that the BOA staff can continue to staff the schedule Appeal Hearings (See Comment 5).

According to Ms. Johnson, the Executive Secretary is currently on sick leave and is therefore still on the BOA payroll. Ms. Johnson advises that Ms. Linda Avery from the Planning Department became the BOA Acting Executive Secretary on approximately November 29, 2000. In the proposed ordinances, Ms. Avery's position is coded as a Special Assistant XVI 1375L, a Limited Duration position that is intended to terminate at the end of FY 2000-2001. The proposed supplemental appropriation ordinance for $105,065 designates $62,184 of the supplemental appropriation for salary and $14,302 of the supplemental appropriation for fringe benefits. Ms. Myrna Lopez of the Mayor's Budget Office advises that the Special Assistant XVI 1375 L position was prorated to 0.61 FTE because the Special Assistant XVI was intended to start as the Acting Executive Director in late November of 2000 (see Comment 3).

According to Ms. Johnson, when the Executive Secretary went on sick leave, the BOA had to increase the hours of its existing 1426 As-Needed Senior Clerk Typist from part-time, 4 hours a day, to full-time, 8 hours a day, to help the BOA handle its caseload. Ms. Johnson notes that when the Senior Clerk Typist went to full-time, the BOA coded the position as Temporary Exempt so that the employee would be eligible for overtime pay. Ms. Johnson states that they will need to continue to have a Temporary Exempt 1426 Senior Clerk Typist full-time until the end of the fiscal year so that the Temporary Exempt Senior Clerk Typist can assist the Acting Executive Secretary in conducting the Appeal Hearings. Therefore, the BOA is requesting additional Temporary Salary funds for the Temporary Exempt 1426 Senior Clerk Typist from October 14, 2000 through June 30, 2001 in the amount of $20,919 (see Comment 4).

<u>File 00-1797:</u> The proposed ordinance would amend the Annual Salary Ordinance to create the requested Special Assistant XVI 1375L position. As noted above, the position would be for a limited duration, terminating when the BOA Executive Secretary returns from sick leave, which Ms. Johnson anticipates would be at the beginning of FY 2001-2002.

Budget: The budget for the requested supplemental appropriation (File 00-1796) is as follows:

Salary-Special Assistant XVI	$62,184
Fringe Benefits-Special Assistant XVI	14,302
Temporary Salaries	20,919
Overtime	7,660
Total	$105,065

Comments:

1. According to Ms. Lopez, as reflected in the Amendment of the Whole, Ms. Avery's position as Special Assistant XVI 1375 is at the same classification as her position in the Planning Department. Ms. Avery advises that her title in the Planning Department was Chief of Personnel/ Commission Secretary.

2. According to Ms. Lopez, Ms. Avery must be on the BOA payroll in order for Ms. Avery to have the authority to handle the purchasing, payroll and personnel matters for the BOA. According to Mr. Costilino Hogan from the Planning Department, Ms. Avery's position in the Planning Department would be backfilled by Planning Department employees during her absence, such that there would not be sufficient salary savings to transfer to the Board of Appeals to fully cover Ms. Avery's costs due to temporary promotions and salary increases for existing Planning Department staff. Furthermore, Ms. Lopez advises that, except on the initial interim basis, Ms. Avery's salary and fringe benefits should not be funded by the Planning Department's budget and then transferred to the BOA's budget, because it would be a conflict of interest to have the Planning Department pay for the salary of the Executive Secretary of the BOA, since the BOA is directly responsible for hearing appeals of permit cases from the Planning Department.

3. According to Ms. Lopez, the Planning Department paid Ms. Avery's salary on an interim basis from November 29, 2000 through January 1, 2001. Ms. Lopez advises that a requisition was approved on January 2, 2001 to transfer Ms. Avery from the Planning Department to BOA, such that the BOA can now begin paying Ms. Avery's salary and fringe benefits as of the first week of January of 2001. The biweekly compensation for a 1375 Special Assistant XVI ranges from

$3,162 to $3,844, or from $82,212 to $99,944 annually. Ms. Avery is currently paid at the top step, or $99,944 annually.

Therefore, the Budget Analyst notes that the proposed supplemental appropriation for permanent salaries and fringe benefits should be reduced to reflect the actual timing of the proposed position from the end of November of 2000 through June 30, 2001, as originally proposed, to January 2, 2001 through June 30, 2001, as now intended and reflected below:

	Proposed Supplemental Appropriation Request	Recommended Amount	Budget Analyst Recommended Reductions
Funding Uses			
Permanent Salary-Misc. Reg. (1375L Special Assistant XVI)	$62,184	$49,972	$12,212
Fringe Benefits	$14,302	$11,494	$2,808
Total	**$76,486**	**$61,466**	**$15,020**

4. The BOA total Temporary Salaries budget for Fiscal Year 2000-01 is $15,684. The Budget Analyst notes that through December 8, 2000, the BOA expended $7,797 for Temporary Salaries, leaving a remaining balance of $7,887 for Temporary Salaries. The proposed Supplemental Appropriation includes a request for $20,919 of additional Temporary Salaries funds.

As previously noted, the requested $20,919 of Temporary Salary funds were intended to pay an As-Needed Senior Clerk Typist, to increase his hours from part-time (4 hours per day) to full-time (8 hours per day), from October 14, 2000 through June 30, 2001. However, according to Ms. Avery, two BOA Senior Clerk Typists recently left their positions at the BOA, including the one As-Needed Senior Clerk Typist, who was to receive the proposed increase in hours under the subject Supplemental Appropriation. Ms. Avery advises that one permanent Senior Clerk Typist left the BOA payroll on December 8, 2000 and the other Senior Clerk Typist, who was being paid with the Temporary Salary funds, left the BOA payroll on December 20, 2000. Ms. Avery hopes to fill

those two positions by early to mid February of 2001. Currently, according to Ms. Avery, the BOA has only one remaining As-Needed Senior Clerk Typist, who is now working four hours per day.

Given that the requested $20,919 was originally intended to increase a part-time Senior Clerk Typist to full-time between October 14, 2000 and June 30, 2001, that this Temporary Senior Clerk Typist position was vacated on December 20, 2000, and that another Temporary As-Needed Senior Clerk Typist is currently assisting the BOA four hours per day, the Budget Analyst estimates that the BOA needs additional requested Temporary Salary funds of $9,415 instead of $20,919, resulting in the following recommended reductions:

Proposed Supplemental Appropriation Request	Recommended Amount	Budget Analyst Recommended Reductions
Temporary Salaries $20,919	$9,415	$11,504

5. The BOA total Overtime budget for FY 2000-01 is $4,110. The proposed request includes $7,660 for Overtime funds for the period from September 18, 2000 through June 30, 2001. However, the Budget Analyst notes that as of December 8, 2001, the BOA expended a total of $3,917 of Overtime funds, leaving a remaining balance of $193.

Since December 8, 2000, Ms. Avery advises there has been only one BOA hearing. According to Ms. Avery, no overtime expenses were incurred at that BOA hearing. There are 17 hearings currently scheduled for the remainder of the fiscal year. Based on discussions with Ms. Avery, assuming an average of four hours of overtime are required per hearing, at an hourly rate of $39.36, this would result in a total remaining overtime cost of $2,676. Therefore, total additional overtime costs of $2,483 are projected for the balance of the fiscal year ($2,676 through June 30, 2001 less $193 remaining balance). The proposed supplemental appropriation for Overtime should therefore be reduced as follows:

Proposed Supplemental Appropriation Request	Recommended Amount	Budget Analyst Recommended Reductions
Overtime		
$7,660	$2,483	$5,177

Recommendations: 1. Amend the proposed Supplemental Appropriation ordinance (File 00-1796) as follows:

	Proposed Supplemental Appropriation Request	Recommended Amount	Budget Analyst Recommended Reductions
Funding Sources			
General Fund Reserve	$105,065	$73,364	$31,701
Funding Uses			
Permanent Salary-Misc. Reg. (1375L Special Assistant XVI)	$62,184	$49,972	$12,212
Fringe Benefits	$14,302	$11,494	$2,808
Temporary Salaries	$20,919	$9,415	$11,504
Overtime	$7,660	$2,483	$5,177
Total	**$105,065**	**$73,364**	**$31,701**

2. Approve the proposed ordinance (File 00-1796), as amended, and approve the amendment to the Annual Salary Ordinance (File 00-1797).

Item 4 - File 00-2087

Department: Assessor-Recorder's Office

Item: Ordinance appropriating $1,245,909 from the General Fund Reserve to fund: (a) litigation and mediation expenses associated with the Viacom assessment appeal ($223,887), (b) litigation expenses for the AT&T/TCI assessment appeal ($215,000), (c) a contract with KPMG to design and implement a reengineering plan for the Assessor-Recorder's Office for Fiscal Year 2000-01 ($726,726), and (d) temporary salaries for customer service at the Assessor-Recorder's Office ($80,296).

Amount: $1,245,909

Source of Funds: General Fund Reserve

Description: *A. Viacom Assessment Appeal*

The proposed supplemental appropriation of $223,887 would fund legal and related expenses already incurred for the assessment appeals process over a dispute with Viacom Cable, Inc. According to Ms. Julie Van Nostern of the City Attorney's Office, Viacom initially filed an appeal with the Assessment Appeals Board in 1991, contesting both the assessed value of Viacom's cable signal distribution system and the assessed possessory interest taxes[1] owed by Viacom to the City for the years 1987 through 1991. Ms. Van Nostern advises that the appeal was later extended to include the years 1987 through 1995. According to Ms. Van Nostern, Viacom had asked for a $23,000,000 refund in possessory interest taxes paid by Viacom to the City between 1987 and 1995. However, the City maintained that the requested refund should be approximately $12,000,000, plus accrued interest, for excess possessory interest taxes paid by Viacom to the City during that time.

The City and Viacom agreed to mediate the dispute. Following the mediation, the parties agreed to a "Stipulation for Reduction in Assessed Values for 1987-1995" ("Stipulation"), and submitted the Stipulation to the Assessment Appeals Board. Ms. Van Nostern advises that the Assessment Appeals

[1] Possessory Interest Taxes are levied on private companies that use publicly owned property. In this particular instance, the City assesses possessory interest taxes on Viacom Cable's use of City streets and rights of way to provide for the cable company's cable distribution system.

Board approved the Stipulation on September 13, 2000 and reduced Viacom's assessment accordingly, resulting in a refund (including interest) to Viacom from the City in the amount of $19,967,286. Attachment I, provided by the City Attorney's Office, contains a summary of the Stipulation. According to Mr. Matthew Hymel of the Controller's Office, the City paid the settlement of $19,967,286 in FY 2000-01 using reserved Property Tax funds held for this purpose.

Budget: The additional costs already incurred for the Viacom assessment appeal litigation and mediation as of October 31, 2000 are as follows:

Viacom Assessment Appeal	Litigation	Mediation	Total
Berliner and Kidder, Appraiser of Intangible Properties		$13,835	$13,835
Diehl, Evans & Company, LLP, Auditor of Intangible Properties	$8,563	26,603	35,166
Rutan & Tucker, Representing the City before the Assessment Appeals Board	13,166	56,249	69,415
Freeland Cooper, Legal Advice		32,264	32,264
John Clifford, Valuation of Possessory Interest		13,750	13,750
JAMS Private Mediation Services		58,851	58,851
City Attorney Delivery and Copying Costs		606	606
Total	$21,729	$202,158	$223,887

Comments on Viacom Appeal:

1. Ms. Bose Onyemem of the Assessor-Recorder's Office states that the Assessor-Recorder's Office's FY 2000-01 budget included $100,000 to pay for City expenses in the Viacom appeal case. According to Ms. Onyemem, as of December 20, 2000, the Assessor-Recorder's Office had expended $52,410 of the total allocated amount of $100,000, leaving a balance of $47,590. Ms. Onyemem advises that the Assessor-Recorder's Office is now requesting the subject supplemental appropriation to fund $223,887, which the City already owes in incurred expenses. Because the proposed $223,887 supplemental appropriation would fund costs that have already been incurred without first obtaining Board of Supervisors approval, the Budget Analyst recommends that the proposed ordinance be amended to provide for retroactive authorization. In addition, because the Assessor-Recorder's Office still has $47,590 in its FY 2000-01 budget for the

Viacom case, the Budget Analyst recommends that the proposed ordinance be amended to reduce the supplemental appropriation request for costs related to Viacom by $47,590, from $223,887 to $176,297. Ms. Van Nostern does not anticipate future costs related to the Viacom assessment appeal.

2. According to Ms. Onyemem, the Board of Supervisors has appropriated a total of $1,368,692 since FY 1997-98 for litigation and mediation costs related to the Viacom assessment appeal. Attachment II, provided by the Assessor-Recorder's Office, contains a breakdown of the Assessor-Recorder's actual costs by fiscal year.

Description:

B. AT&T/TCI Appeal Litigation Expenses

On July 31, 1996, Telecommunications, Inc. (TCI) acquired Viacom's interest in the City's Cable Television franchise. TCI was subsequently taken over by AT&T on March 9, 1999. According to Ms. Van Nostern, AT&T/TCI has appealed its assessments for the years 1996 through 1999 to the Assessment Appeals Board, contesting the assessed value of more than $200 million in property. Ms. Van Nostern advises that the parties agreed to stay these appeals pending resolution of the Viacom case discussed above, but that either party can reinstate the appeals on 270 days notice, meaning that the City must be ready to prepare and present its case in as little as nine month's notice. Ms. Van Nostern advises that the City Attorney's Office is working with the Assessor-Recorder's Office to develop an assessment strategy for AT&T/TCI, which will avoid the costly litigation associated with the Viacom case.

The proposed ordinance would appropriate $215,000 to fund the estimated costs in FY 2000-01 of responding to the AT&T/TCI legal appeal. Ms. Van Nostern advises that because the AT&T/TCI assessment appeal is a new case, no funds were included in the FY 2000-01 budget for the Assessor-Recorder's Office, and no funds have been expended on this case in previous fiscal years.

Budget: The estimated FY 2000-01 costs for the AT&T/TCI assessment appeal process are as follows:

AT&T/TCI Assessment Appeal	Estimated Costs
Rutan & Tucker – Outside Tax Counsel	
320 hours times $225/hour	$72,000
Expenses	13,000
Subtotal	$85,000
Freeland Cooper – Outside Litigation/Mediation Counsel	
65 hours times $295/hour	19,175
Expenses	825
Subtotal	$20,000
Diehl, Evans & Company, LLP – Valuation of Cable Companies	
140 hours times $200/hour	28,000
Expenses	7,000
Subtotal	$35,000
John Clifford – Valuation of Possessory Interest	
310 hours times $225/hour	69,750
Expenses	5,250
Subtotal	$75,000
Total	**$215,000**

Comments on AT&T/TCI Case:

1. According to Ms. Van Nostern, the City Attorney's Office based their FY 2000-01 cost estimates for the AT&T/TCI assessment appeal process on the hours, legal advice and assessment services required for the Viacom assessment appeal process described above. Ms. Van Nostern advises that the estimated $215,000 in costs for the AT&T/TCI case during FY 2000-01 does not include costs for mediation or for Assessment Appeals hearings, should they be necessary. Ms. Van Nostern advises that if mediation or hearings are required, the Assessor-Recorder's Office will include funds for legal costs in the department's FY 2001-02 budget request.

2. According to Ms. Van Nostern, all of the firms listed in the above budget were selected on a sole source basis, based upon their expertise related to property assessment and the cable industry.

Description: *C. Contract with KPMG for Reengineering Plan*

The proposed supplemental appropriation for $726,726 would expand an existing $400,000 contract with KPMG to develop and implement a reengineering plan, for a total contract cost of $1,126,726, for the Assessor-Recorder's Office for Fiscal Year 2000-01. This reengineering plan analyzes the department's work processes in order to identify changes the department must make to run more effectively. Ms. Onyemem advises that the Assessor-Recorder's Office originally contracted with KPMG, in consultation with the Mayor's and Controller's Offices, in June of 2000 to improve efficiencies in the department. KPMG agreed to identify and re-engineer process inefficiencies, conduct a training needs assessment, provide necessary training, improve customer service and help the department transition into a new computer system. The Assessor-Recorder's Office included $400,000 in its FY 2000-01 budget for this KPMG contract. Ms. Onyemem advises that the Assessor-Recorder's Office negotiated with the Controller's Office to include this $400,000 contract within a larger City contract with KPMG (discussed further in Comment No. 3 below).

According to Ms. Onyemem, in September of 2000, and again in October of 2000, the Assessor-Recorder's Office requested that KPMG revise and expand the scope of its work plan in the three ways listed below. The Budget Analyst notes that the Assessor-Recorder's Office did have authority to request from KPMG proposals for expanding the scope of the existing $400,000 contract. However, the Assessor-Recorder's Office did not have the authority to finalize the expanded contract discussed below without first obtaining approval from the Board of Supervisors of this subject additional appropriation of $726,726.

(1) After KPMG and the Assessor-Recorder's Office agreed to the terms of the original $400,000 contract, in September of 2000 the Assessor-Recorder's Office directed KPMG to help manage and facilitate the reduction of the department's backlog in processing deeds, a priority for the Assessor-Recorder's Office.[2] In addition, KPMG proposed to expand

[2] According to Ms. Onyemem, the Assessor-Recorder's Office experienced a total backlog of approximately 32,000 deeds during 1999 and 2000. Ms. Onyemem advises that the transition to the department's new computer system delayed the processing of new deeds. The Assessor-Recorder's

the original contract to provide a more extensive reengineering plan and performance measures for the department. The proposed expanded work plan would expand the original contract by $207,926, from $400,000 to $607,926.

(2) In October of 2000, KPMG agreed to expand the scope of its contract with the Assessor-Recorder's Office for additional fees to KPMG of $172,664, which would increase the contract again from $607,926 to $780,590. This expanded scope focuses on developing a new management strategy and reorganizing the department.

(3) Finally, the Assessor-Recorder's Office has a proposal from KPMG to implement the reengineering plan at a cost of $346,136, which would bring the total cost of the contract with KPMG to $1,126,726.

These three modifications result in the total subject request of $726,726 in additional costs for the contract with KPMG. A summary budget for the total proposed contract costs of $1,126,726 with KPMG is as follows:

SUMMARY	
Reengineering Plan	
Original Budget	$400,000
Expanded Scope/Deed Backlog	207,926*
Revised Subtotal	$607,926
Expanded Scope/Management Plan	172,664*
Implementation of Reengineering Plan	346,136*
Total Contract Costs	**$1,126,726**

*Total of $726,726, which is the subject of this request.

The proposed $726,726 supplemental appropriation would fund: (a) KPMG's work decreasing the backlog in processing deeds ($207,926), (b) the expanded scope of KPMG's reengineering plan for the department ($172,664), and (c) implementation of the reengineering plan ($346,136), for a total FY 2000-01 contractual services costs of $1,126,726, including the original budget of $400,000, as shown in the table above. As shown in the table on the following page, the hourly rage being charged by KPMG ranges from $121.28 to $281.14.

Office, with the assistance of KPMG, is now working to correct inaccurate deed information and process or re-process deeds from 1999 and 2000.

Budget for Reengineering Plan: The budget for the proposed $1,126,726 contract with KPMG, including the subject $726,726 supplemental appropriation, is as follows:

Contract with KPMG	Hourly Rate	Number of Hours	Total
Reengineering Plan			
Professional Fees			
Managing Director	$281.14	32	8,997
Project Manager	$165.38	418	69,129
Senior Consultants	$148.84	408	60,727
Consultants	$148.84	492	73,229
Analysts	$148.84	504	75,016
Sub-contractor	$121.28	36	4,366
Subtotal Professional Fees		1,890	$291,464
Deed Backlog Completion			-
Professional Fees			
Managing Director	$281.14	8	2,249
Project Manager	$165.38	422	69,790
Senior Consultants	$148.84	904	134,551
Analysts	$148.84	144	21,433
Subtotal Professional Fees		1,478	$228,023
Total Professional Fees		3,368	519,487
KPMG's Other Expenses*			88,439
****Subtotal Reengineering/Backlog**		3,368	$607,926
Expanded Scope/Management Plan			
Professional Fees			
Managing Director	$281.14	240	$67,474
Project Manager	$165.38	320	52,922
Senior Consultants	$148.84	200	29,768
Subtotal Professional Fees		760	$150,164
KPMG's Other Expenses			22,500
****Subtotal Management Plan**		760	$172,664
Estimates for Implementation of Reengineering Plan			
Professional Fees			
Managing Director	$281.14	200	$56,228
Project Manager	$165.38	400	66,152
Senior Consultants	$148.84	400	59,536
Analysts	$148.84	800	119,072
Subtotal Professional Fees		1,800	$300,988
KPMG's Other Expenses			45,148
Subtotal Implementation Estimates		1,800	$346,136
Total KPMG Contract		5,928	$1,126,726
Less $400,000 included in FY 2000-01 Budget			(400,000)
Total Supplemental Appropriation			$726,726

* Other Expenses include mileage, parking, meals and housing.
** Already expended or incurred (See Comment No. 1 below).

Attachment V, provided by the Assessor-Recorder's Office, contains an explanation for how KPMG estimated the $346,136 shown in the budget above to implement the reengineering plan.

Comments on Reengineering Plan:

1. Ms. Onyemem reports that as of October of 2000, the Assessor-Recorder's Office had already incurred expenses for $387,497 of the $400,000 included in the department FY 2000-01 budget for the KPMG contract, leaving a balance of $12,503. According to Ms. Onyemem, the Assessor-Recorder's Office has continued incurring expenses for services provided by KPMG since October of 2000, although the Assessor-Recorder's Office is unsure of the exact amount of these additional fees since the department has not received a bill from KPMG since October of 2000. The Budget Analyst notes that, according to Ms. Onyemem, KPMG has agreed to complete its reengineering plan and its work to reduce the deed backlog by January 31, 2001, at which time the Assessor-Recorder's Office will owe to KPMG the balance of $393,093 for these two projects (the $12,503 balance of funds included in the department's FY 2000-01 budget for the contract with KPMG, $207,926 for deed backlog reduction, and $172,664 for the expanded scope/ management plan). The Budget Analyst notes that the Assessor's Office has incurred these additional costs of up to $393,093 without first obtaining prior appropriation approval by the Board of Supervisors. The current contract with KPMG is limited to $400,000. The Assessor-Recorder's Office did not have the authority to finalize an expanded contract with KPMG without first obtaining prior appropriation approval by the Board of Supervisors. The Budget Analyst recommends that the proposed ordinance be amended to provide for retroactive authorization.

2. According to Ms. Onyemem, KPMG has agreed to complete the proposed contract with the Assessor-Recorder's Office, including implementation of the reengineering plan, by June 30, 2001. Ms. Onyemem advises that KPMG has agreed to the fees and expenses outlined in the budget above at a maximum cost of $1,126,726. If KPMG exceeds the allotted hours to complete the workplan, as agreed upon by both parties,

KPMG will not charge the Assessor-Recorder's Office additional fees for those hours.

3. According to Ms. Onyemem, the Assessors Office negotiated with the Controller's Office to include the original $400,000 contract with KPMG within a larger City contract with KPMG in order to begin a reengineering of the department's business practices as soon as possible. According to Mr. Hymel of the Controller's Office, these services are included in the Controller's City-wide audit contract with KPMG. Mr. Hymel advises that this contract, which was competitively bid and approved by the Civil Service Commission in May of 1999, allows the City to contract with KPMG for as needed auditing and accounting services. The contract with KPMG is a three-year contract with two one-year renewal options. According to Mr. Hymel, although this three-year contract between the City and KPMG does not specify a maximum dollar amount, the Civil Service Commission has approved a total $7 million for the City-wide audit contract. Mr. Hymel advises that to date the Controller's Office has expended approximately $4 million of the $7 million contract, not including the $387,497 already incurred from the original $400,000 contract between the Assessor-Recorder's Office and KPMG. Mr. Hymel advises that the original KPMG contract for the Assessor-Recorder is limited to $400,000, which was included in the FY 2000-2001 Assessor-Recorder budget. If approved by the Board of Supervisors, the proposed supplemental appropriation would increase this contract with KPMG by $726,726, for a total in contractual services costs of $1,126,726.

Description: *D. Temporary Salaries*

The proposed supplemental appropriation would fund $80,296 in Temporary Salaries to help improve customer service at the Assessor-Recorder's Office. Ms. Onyemem advises that the Assessor-Recorder's Office would use the $80,296 to hire four temporary employees who will be assigned to answering phone calls from the public and addressing questions and problems posed by the public. Ms. Onyemem advises that these temporary employees would allow the Assessor-Recorder's Office to decrease its backlog of deed processing and respond to the increase in customer complaints due to

this backlog, as stated in Attachment VI, provided by the Assessor-Recorder's Office.

Budget:

The budget for the proposed $80,296 supplemental appropiation for Temporary Salaries, for the period from February 1, 2001 through June 30, 2001, is contained in the table below. This $80,296 supplemental appropriation would increase the department's budget for Temporary Salaries from $20,808 to $101,104.

No. of FTE Positions	Class	Title	Step 3 Biweekly Salary (Annual)	Cost
0.78	1368	Special Assistant (2 positions, for 10 pay periods each)	$2,110 ($54,860 each)	$42,428
0.78	8108	Senior Legal Process Clerk (2 positions, for 10 pay periods each)	$1,596 ($41,496 each)	32,093
		Subtotal Salaries		$74,521
Employer Taxes				5,775
			Total	$80,296

Comment on Temporary Salaries:

Ms. Onyemem advises that the Assessor-Recorder's Office has modeled its proposed improvements to customer service on improvements implemented in the Office of the Treasurer/Tax Collector. According to Ms. Onyemem, if the customer service to be provided by the proposed temporary employees proves to be successful in addressing customer concerns, the Assessor-Recorder's Office may request permanent positions in its budget for FY 2001-02.

Recommendations: Viacom Assessment Appeal

1. Amend the proposed ordinance to reduce the supplemental appropriation request for costs related to Viacom by $47,590, from $223,887 to $176,297, in accordance with Comment No. 1 in the section above addressing the Viacom assessment appeal.

2. Amend the proposed ordinance to provide for retroactive authorization to appropriate $176,297 for costs previously incurred without first obtaining prior appropriation approval from the Board of Supervisors, in accordance with Comment No. 1 in the section above addressing the Viacom assessment appeal.

3. Approve the proposed supplemental appropriation of $176,297, as amended, for costs resulting from the Viacom assessment appeal process.

ATT/TCI Assessment Appeal

Approve the proposed supplemental appropriation of $215,000 for costs resulting from the AT&T/TCI assessment appeal process.

KPMG Contract for Reengineering Project

1. Amend the proposed ordinance to provide for retroactive authorization to appropriate for costs previously incurred without first obtaining prior appropriation approval from the Board of Supervisors. As stated in Comment No. 1 in the section above addressing the proposed contract with KPMG, the Assessor-Recorder's Office has been incurring expenses above the $400,000 originally budgeted for the KPMG contract for services provided by KPMG since October of 2000, however the department is unsure of the exact amount since they have not received any bills from KPMG since October of 2000.

2. Approval of the proposed ordinance, as amended, is a policy matter for the Board of Supervisors because the Assessor-Recorder's Office did not have the authority to incur such costs of up to $393,093 above the $400,000 originally budgeted for the KPMG contract without first

obtaining prior appropriation approval from the Board of Supervisors.

Temporary Salaries

Approve the proposed supplemental appropriation of $80,296 for Temporary Salaries.

Assessment Appeals Board Stipulation
Between City and County of San Francisco and Viacom
for Reduction in Assessed Value of the Possessory Interest
and Business Personal Property

EXECUTIVE SUMMARY

I. Possessory Interest

The Assessor's original $188 million valuation of the 1987 Possessory Interest was San Francisco's portion of a 10-county appraisal. This appraisal utilized a methodology that was subsequently invalidated by a number of post-1991 California court decisions. Throughout the assessment appeal hearing, the Assessor has acknowledged the need to revalue the Possessory Interest using a permissible method. The Assessor used an income method appraisal, which resulted in a 1987 value of $106 million. Approximately 75% of the combined Possessory Interest value reductions contained in the Stipulation directly result from correcting the 10-county appraisal to conform to the new court cases. The remaining Possessory Interest value reductions relate to the economic recession beginning in 1991 and the re-regulation of the cable industry beginning in 1992 which resulted in forced cable rate reductions.

II. Business Personal Property

Three categories of business personal property are the subject of the hearings: converters/descramblers, the cable distribution system and house drops. With respect to the first two categories, the parties presented valuations at the hearings based on the "replacement cost new less depreciation" method. In reaching agreement on stipulated values, the parties used the same valuation method, adopting inputs as to original cost, useful lives and depreciation that fell within the range of evidence in the record on those issues. The Stipulation treats the entire house drop as taxable and adopts a valuation approach consistent with that used for the other two categories.

III. Conclusions

All valuations contained in the Stipulation are supported by substantial evidence in the record and the exhibits to the Stipulation.

Source: City Attorney's Office

ASSESSOR-RECORDER
VIACOM LITIGATION
Budget
12/12/97-12/19/00

	Budget	Supplemental	Revised Budget	Encumbrance	Actual	Balance
FY 1997-98	450,000		450,000		282,790	167,210
FY 1998-99	250,000		250,000		375,100	42,110
FY 1999-00	300,000	284,887	584,887	3,440	590,420	33,137
FY 2000-01	100,000		100,000		120,382	12,755
	1,100,000	284,887	1,384,887	3,440	1,368,692	

Source: Assessor-Recorder's Office

KPMG CONSULTING
BUSINESS PROCESS REENGINEERING PROJECT CHRONOLOGY

- **June 2000** – KPMG Consulting is retained by the City and County to perform a business process reengineering (BPR) review of the Assessor-Recorder's Office. This project is to begin July 1, 2000.

- **July 2000** – KPMG Consulting initiates the BPR project on or about July 1st. Shortly after the project is initiated, KPMG Consulting is asked by the Assessor-Recorder and the Mayor's Office to refocus their efforts on the deed backlog. At this time all BPR tasks are suspended and the KPMG Consulting team focuses on coordinating the deed backlog effort.

- **September 28, 2000** – KPMG Consulting submits a revised scope of work to the Assessor-Recorder which:
  - Adds hours and cost associated with the coordination of the deed backlog
  - Deletes elements (hours and cost) of the original BPR project to mitigate the financial impact to the City and County.

- **October 18, 2000** – Additional items are added to KPMG Consulting's scope by the Assessor-Recorder's Office and the Mayor's Office. These include the:
  - Review of day-to-day management and operations of the Assessor-Recorder's Office with recommendations for improvement.
  - Development of a revised management and organization structure for the Assessor-Recorder's Office.
  - Preparation of a Project Management Plan to address the recommendations of the Management and Organization and Business Process Reengineering Reports.

- **October 31, 2000** – KPMG Consulting transitions the monitoring and reporting of the deed backlog to the Assessor-Recorder's Office and refocuses on the BPR project (per the September 28th revision).

- **November 1, 2000** – The Assessor-Recorder's Office requests that KPMG Consulting provide an estimate of costs to provide support during the implementation of recommendations (February 1, 2001 – June 30, 2001).

- **November 20, 2000** – KPMG Consulting submits the "As-Is Process Flows", the first of the BPR project deliverables, to the Assessor-Recorder's Office Project Steering Committee.

Source: Assessor-Recorder's Office

ATTACHMENT XI

KPMG CONSULTING
BUSINESS PROCESS REENGINEERING PROJECT DELIVERABLES

- **Business Process Reengineering** deliverables include:
  - "As-Is Process Flows" – November 20, 2000 (Completed)
  - "To-Be Process Flows" – January 5, 2001
  - Draft Report of Recommendations – January 15, 2001
  - Final Report of Recommendations – January 31, 2001

- **Coordination of Deed Backlog Effort** included the following deliverables (through October 31, 2000):
  - Facilitation of daily status meetings (Completed)
  - Daily production reports (Completed)
  - Daily quality assurance/control reports (Completed)
  - Daily issue log (Completed)
  - Development of deed processing process flows (for use as an interim process only) (Completed)
  - Development of quality assurance/control process flows (Completed)
  - Monthly status updates to Assessor-Recorder, Tax Collector, Controller, and Mayor's Office (Completed).

- **Management and Organization Project** deliverables include:
  - Draft Report of Recommendations – January 15, 2001
  - Draft Project Management Plan – January 15, 2001
  - Final Report of Recommendations – January 31, 2001
  - Final Project Management Plan – January 31, 2001

- **Implementation Support** deliverables will be determined when project scope and approach is finalized on or about February 1, 2001.

Source: Assessor-Recorder's Office

December 19, 2000

TO: Budget Analyst

FROM: Bose Onyemem

RE: **Request for Supplemental –KPMG Reengineering Project-Attachment**

1. **Describe the project both development and implementation**

Development—KPMG will establish a comprehensive public service unit -:

- identify inefficient processes
- develop solutions for improvements
- document "as is " processes
- research best practices
- identify and train staff
- review and refine job classifications,
- identify and recommend facilities enhancement,
- establish performance measures and
- monitor results.

Implementation-KPMG will implement process improvement plan

- conduct a training needs assessment
- provide necessary training
- implement changes and monitor performance
- transfer knowledge to selected Assessor-Recorder resources
- develop recommendations for additional staff development

a) **How much was originally budgeted for the entire project?**

- Original estimate by KPMG for reengineering was for 2800 hours at $477,895, **(399,820-professional fees and $78,075 other expenses)**, however the department only has a funding allocation of $400,000 in the budget.

What is the new total project costs?

	Hours Fees	Professional Expenses	Other Total	
Reengineering/Deed Backlog	3,368	$519,487	$88,439	$607,926
Expanded scope	760	150,164	22,500	172,664
Implementation –estimate	1,800	300,988	45,148	346,136
	5,928	970,639	156,087	1,126,726

2 **Why do you need the funds you are requesting, in addition to the money that was already 2000-01?**

- Rengineering/Deed Backlog — $607,926 Will be completed by 1/31/2001
- Expanded scope — 172,664
- Total Expenses — 780,590

- Available per budget — 400,000

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- Current deficit 380,590
- Estimate-Implementation 346,136
- Amount required $726,726

3. State why you need KPMG to implement the program, rather than the Assessor's office doing it themselves. -

- To provide a more objective analysis of best practices and implement successfully, it's more prudent to bring in an independent consultant with diverse skills in government reengineering process

4. State how you selected KPMG...why are you using an existing contract between The Controller and KPMG, rather than undergoing your own RFP/Contract process.

- Since the Controller already has a City certified contract with KPMG coupled with the time frame constraint to start the reengineering process in July 2000 and resolve the assessment roll backlogs, it was more expedient and prudent to use the controller certified contract rather than wait through the 4 months approval process for consulting service.

6. Have you expended any Assessor's Office staff time or other department funds for this project. If so, how much have you spent and how much was budgeted In FY 2000-01 for this use (include details in the budget requested below).

-
- No

Please provide a detailed budget of the entire reengineering project, which includes:

a) Details for how you spent the approximate $400,000 already budgeted for the Reengineering Project

Month	Professional Hrs	Professional Fees	Other Expenses	Total
July	521	$79,382	7,180	86,562
August	520	80,440	9,364	89,804
September	472	74,090	10,313	84,4031
Octobe r	673	107,694	19,034	126,728
	2,177	341,606	45,891*	387,497

***Other expenses include**

- **Daily per diem rates - Lodging-$158.00**
  Food 46.00
- **Average daily parking fees 14.00**
- **Mileage is billed at .325/mile**

b) KPMG: Hourly fees charged, around and kind of staffing to be provided

- Sub-contractor $121.28/hr.
- Senior Consultants 148.84/hr.
- Project Manager 165.38/hr.
- Managing Director 281.14/hr.

c) Details for any Assessor staff time or other costs (if staff time has been used, include classifications and salaries)

- None

KPMG Consulting

400 Capitol Mall, Suite 800
Sacramento, CA 95814

Telephone 916 554-1114

Fax 916 551 3030

November 1, 2000

Ms. Bose Oneyeman
Assessor-Recorder's Office
City and County of San Francisco
City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4694

Dear Ms. Oneyeman:

KPMG Consulting is pleased to present you with our estimate of the professional fees and expenses associated with the implementation of the Business Process Reengineering (BPR) study.

Background
KPMG Consulting is currently engaged in conducting a BPR study for the City and County of San Francisco's Assessor-Recorder's Office. Per our revised scope of work dated September 28, 2000, KPMG Consulting anticipates completing the BPR study, including the creation of a customer service unit, in January 2001. We have been asked to provide the City and County of San Francisco with an estimate of the professional fees and expenses associated with implementing the recommendations made in the BPR study.

Proposed Implementation Schedule and Costs
Based on our prior experience with similar implementation engagements, we estimate it will take approximately 1,800 hours of staff time to assist the Assessor-Recorder's Office with the implementation of the BPR. Given our plan to complete the BPR study in January 2001, we anticipate implementation beginning on February 1, 2001 and concluding on June 30, 2001. Based upon current contracted rates with the City, we estimate we can assist the Assessor-Recorder's Office with the implementation of the BPR study for a total of $346,136. This includes $300,988 in professional fees and $45,148 in expenses. Exhibit 1 on the following page shows the estimated staffing plan, by month, as well as the City approved rates effective through 06/30/01.

KPMG Consulting

Ms. Bose Oneyeman
City and County of San Francisco
November 1, 2000

Exhibit 1: Hours by Month

Month	Managing Director (O'Neill/ Pierce)	Manager (Rohrbach)	Senior Consultant (Chatters)	Analyst (Anderson)	Total
February	40	80	80	200	400
March	40	80	80	200	400
April	40	80	80	150	350
May	40	80	80	150	350
June	40	80	80	100	300
Total Hours	200	400	400	800	1,800
Rate per Hour	$281.14	$165.38	$148.84	$148.84	
Total Professional Fees	$56,228	$66,152	$54,536	$119,072	$300,988

KPMG Consulting will provide the Assessor-Recorder's Office with a detailed implementation plan in December 2000. Should you have any questions or concerns, please do not hesitate to contact me at 415-554-5657.

Very truly yours,
KPMG Consulting LLC

Micaela V. Ochoa
Manager

Source: Assessor-Recorder's Office

December 19, 2000

TO: Budget Analyst

FROM: Bose Onyemem

RE: **Request for Supplemental –Temporary Salaries**

	Annual Salary Step 3	Cost
1. **Special Assistant IX, Class 1368** (.39 FTE, 2 positions at $2,110 B/W for 10.833 pay periods)	$54,860	$42,428
Senior Legal Process Clerk Class 8108 (.39 FTE, 2 positions at $1,596 B/W for 10.833 pay periods)	41,496	32,093
Subtotal Salaries		$74,521
Employer Taxes		5,775
	Total	$80,296

2. **What the employees will be doing (describe duties for each classification)**
8108-Senior Legal Process Clerks will respond to customer's complaints in a courteous, prompt and efficient manner within one working day. Research computer information for Assessor–Recorder parcels and deeds and provide prompt and accurate information to the public.

1368-Special Assistant IX- Under general administrative direction, coordinate prompt and accurate response to taxpayers. Ability to work under pressure and deal effectively, courteously and efficiently with the public. Ability to work and make independent decisions Extensive knowledge of Assessor-Recorder operations is required. Ability to speak English, Spanish /Chinese.

3. **Why do you need them?.**
There has been an increase in the number of complaints by the public over the use of voice mail to address questions. In order to promote good public relations and earn overall positive response of at least 80 percent from taxpayers, it is important that the Office of the Assessor-Recorder maintains a customer section with staff ready to address taxpayers/public concerns efficiently and promptly The Customer service section will be modeled after the Tax Collector's Customer Service section

4. **Why did you not request them in your budget request for FY 2000-01**
During the budget preparation phase of FY 2000-01, the department was already negotiating with KPMG to establish an effective office operation and improved customer service . The department decided to wait for the KPMG recommendation before implementation.

5. **How much you have budgeted in FY 2000-01 for Temporary**
$20,808 budgeted to fund temporary employees needed to clear the assessment rolls backlog.

How much have you spent on Temporary Salaries to date.
Nothing

6. **Explain why you will no longer need the employees after the end of this fiscal year.**
The positions are funded for 5 months in the current fiscal year. The positions may be included in FY 2001-2002 budget request pending the outcome of KPMG reengineering recommendation.

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Items 5 and 6 – Files 00-2184 and 00-2183

Department: Department of Child Support Services

Items: File 00-2184: Ordinance appropriating $839,562 to implement a new State-required Customer Service Unit, including the creation of two new investigator positions and related operating costs at the Department of Child Support Services.

File 00-2183: Ordinance amending the Annual Salary Ordinance for Fiscal Year 2000-01 (Ordinance No. 181-00) reflecting the creation of two new positions in the Department of Child Support Services.

Amount: $839,562

Source of Funds: The entire $839,562 supplemental appropriation would be funded by State and Federal monies, administered by the State Department of Child Support Services.

Description: California Family Code Section 17304, signed into law in 1999, required all counties in California to create a separate Department of Child Support Services, which would be independent from other local departments and report directly to the new State Department of Child Support Services (the "State"). In San Francisco, the new City Department of Child Support Services began functioning independently on July 1, 2000. Previously, child support services had been provided by the Family Support Bureau, a division of the District Attorney's Office. According to Mr. Merlin Zimmerly of the Department of Child Support Services, the department's budget is funded entirely by State and Federal funding, a requirement of the State law mandating separation of the Family Support Bureau from the District Attorney's Office.

File 00-2184: The proposed ordinance would appropriate $839,562 to support both operating costs and the implementation of a State-required new Customer Service Unit.

The Department of Child Support Services would use the proposed $839,562 supplemental appropriation as follows:

Customer Service Unit ($335,316)
According to Mr. Zimmerly, the State law mandating an independent department for Child Support Services also required that each such department create a Customer Service Unit by January 1, 2001. Mr. Zimmerly advises that the Customer Service Unit will conduct outreach to inform the public of services provided by the department, work to make child support programs more accessible, address citizen complaints, and work to make the court process more understandable and comfortable for participants in child support programs. Attachment I, provided by the Department of Child Support Services, contains the $335,316 spending plan submitted to and approved by the State.

Attachment II, provided by the Department of Child Support Services, contains an explanation of the staffing at the new Customer Support Unit, including a justification for the two new investigator positions. In addition to the requested two new investigator positions described below, the staff of the new Customer Service Unit will also consist of three existing ombudsman positions, for a total of five positions. According to Mr. Zimmerly, the one existing investigator position of the Department of Child Support Services is currently performing customer services functions in order to meet the January 1, 2001 State mandate.

Work Order to Sheriff's Department ($144,945)
The Department of Child Support Services requires that two security guards be stationed at the department's front door to operate a metal detector and to remove any weapons brought into the office by clients. In addition, as part of the department's investigations of absent parents, the department must have access to criminal justice records stored in the California Law Enforcement

Telecommunications System (CLETS), which can only be operated by peace officers according to State law. Therefore, the proposed supplemental appropriation would fund a $144,945 work order to the Sheriff's Department to obtain the services of two new 8304 Deputy Sheriff positions. The two new Deputy Sheriffs would alternate between providing security at the department's front door and using the CLETS terminal to access criminal justice records.

Ms. Zimmerly advises that the department currently has two permanent 8204 Institutional Police Officer positions providing security at the department, but that such Institutional Police Officers are not authorized by the State to access criminal justice records through the CLETS system. Mr. Zimmerly advises that the department plans to request a reclassification of the existing two 8204 Institutional Police Officer positions to Investigator positions.[1]

<u>Correct a Technical Error which Resulted in Underbudgeting ($98,856)</u>

Mr. Zimmerly advises that the State approved $118,000 for Other Current Expenses, which the Department of Child Support Services included in its FY 2000-01 budget request. During budget preparation, this amount was inadvertently reduced by $98,856 to $19,144. The proposed supplemental appropriation of $98,856 for Other Current Expenses would correct this underbudgeting error and restore the originally budgeted amount of $118,000. As stated previously, this $118,000 for Other Current Expenses has already been approved by the State for Fiscal Year 2000-01.

[1] According to Mr. Zimmerly, the Department of Child Support Services' FY 1999-2000 budget included two entry-level exempt investigator positions to both serve as security guards and to operate the CLETS computer terminals. However, Mr. Zimmerly reports that the State law requiring an independent Department of Child Support Services removed the department's authority to directly employ Peace Officers. As a result, in the FY 2000-01 budget for the Department of Child Support Services, the two exempt Peace Officer positions were reclassified as 8204 Institutional Police Officer positions. According to Mr. Zimmerly, although the State allows the Department of Child Support Services to hire such 8204 Institutional Peace Officers, the State Penal Code does not authorize these positions to operate CLETS terminals, a service needed by the department to access criminal justice records.

CASES Consortium ($254,445)
According to Mr. Zimmerly, the State selected the City's Computer Assisted Support Enforcement System (CASES), which tracks non-custodial parents required to pay child support, as the database system to be used by 33 other counties in California. Mr. Zimmerly advises that the State has requested that the Department of Child Support Services act as the fiscal agent for the CASES Consortium to contract with a private computer consulting firm to install CASES in the 33 CASES Consortium counties. Mr. Zimmerly reports that this consulting firm, named Informatix, Inc. was selected through a competitive bidding process for a two-year contract with three one-year extensions. The proposed $254,445 for the CASES system would fund $163,020 for additional services to modify the CASES system to produce a new financial report required by the State (hourly rate charged by Informatix of $110 for 1,482 hours) and $82,280 for assistance to be provided to Monterey and Merced Counties ($110 hourly rate times 748 hours).

The supplemental appropriation would also fund $9,145 in services already provided to Glenn County directly by the Department of Child Support Services ($4,875 for Department of Child Support Services staff to travel to Glenn County and $4,270 for temporary rental of computers).

City Intranet Services
In becoming an independent department, the Department of Child Support Services must become connected to the City's Intranet/Email system. According to Mr. Zimmerly, the State has provided a separate allocation to fund the costs of this connection, which is included in the proposed supplemental appropriation.

File 00-2183: The proposed ordinance would amend the Annual Salary Ordinance for Fiscal Year 2000-01 to create the following two new permanent positions in the Department of Child Support Services:

No. of FTE Positions	Class	Title	Step 1 Biweekly Salary (Annual)	Step 5 Biweekly-Salary (Annual)
1.0	8160	Assistant Chief Family Support Investigator	$2,221 ($57,968)	$2,779 ($72,532)
1.0	8158	Family Support Investigator II	$1,710 ($44,631)	$2,130 ($55,593)

According to Mr. Zimmerly, the proposed two new investigator positions would help to staff the new Customer Service Unit discussed above, at a total annualized cost of $160,256. The annualized cost of the Assistant Chief Family Support Investigator at Step 5 would be $90,765, including $72,532 in Salary and $18,233 in Mandatory Fringe Benefits. The annualized cost of the Family Support Investigator II at Step 5 would be $69,491, including $55,593 in Salary and $13,898 in Mandatory Fringe Benefits.

Budget: A budget for the proposed supplemental appropriation of $839,562 is shown in the table below:

Budget	
Customer Services Unit (See Attachment I)	
One-time Set-up Costs	$80,000
Operating Costs	148,546
Personnel	
8160 Asst. Chief Family Support Investigator (0.67 FTE, 8 months)	48,354
8158 Family Support Investigator II (0.67 FTE, 8 months)	37,062
Fringe Benefits (25 percent)	21,354
Subtotal Personnel	$106,770
Subtotal Customer Services Unit	$335,316
Work Order to Sheriff's Department	144,945
Inadvertent Underbudgeting	98,856
City Intranet Connection	6,000
CASES Consortium	
Fiscal Agent for Upgrade to Meet New Reporting Requirements	163,020
Assistance to Merced and Monterey Counties	82,280
Assistance to Glenn County	9,145
Subtotal CASES Consortium	$254,445
Total Supplemental Appropriation	**$839,562**

Comments: 1. According to Mr. Zimmerly, the Department of Child Support Services plans to fill the proposed two new positions (Assistant Chief Family Support Investigator and Family Support Investigator II) for the five-month period from February 1, 2001 through June 30,2001. However, the spending plan included in Attachment I, provided by the Department of Child Support Services, budgets the two new positions for eight months (November through June) in FY 2000-01, rather than the actual five months that the department will employ the new employees (February through June) in FY 2001. Therefore, the proposed supplemental appropriation of $106,770 for new personnel should be reduced by $40,039 to $66,731 to reflect the actual number of months the new employees will be employed in FY 2000-01. This proposed reduction includes a reduction of: (a) $32,031 in Salaries, from $85,416 to $53,385, and (b) $8,008 in Mandatory Fringe Benefits, from $21,354 to $13,346. A summary of

the recommend reductions is contained in the following table:

Title	Annual Salary	Budgeted Salary (8 months)	Corrected Budgeted Salary (5 months)	Proposed Reduction
8160 Assistant Chief Family Support Investigator	$72,532	$48,354	$30,221	$18,133
8158 Family Support Investigator II	55,593	37,062	23,164	13,898
Subtotal Salaries	$128,124	$85,416	$53,385	$32,031
Fringe Benefits (25 percent)		21,354	13,346	8,008
Total		$106,770	$66,731	$40,039

2. Ms. Jean Mariani of the Sheriff's Department advises that the Sheriff's Department will train two new Deputy Sheriffs to fill the two positions needed at the Department of Child Support Services. Therefore, the proposed $144,945 work order to the Sheriff's Department includes one-time costs of $61,000 for acquiring two new Deputy Sheriffs, including $54,000 for training and $7,000 for the cost of new uniforms and radios. As stated in Attachment III, provided by the Sheriff's Department, the two new Deputy Sheriff's will not complete training until July of 2001. For the rest of this fiscal year, the Sheriff's Department will staff the two positions at the Department of Child Support Services with two existing Deputy Sheriff positions, beginning in March of 2001 for the four-month period between March 1, 2001 and June 30, 2001. However, the proposed work order from the Department of Child Support Services to the Sheriff's Department budgets the two positions for six months each. Therefore, the proposed $144,945 for the work order to the Sheriff' Department should be reduced by $18,686 to $126,259 to reflect the actual number of months of the work order. The reduced amount of $126,259 includes the total $120,968 shown in the budget for the four-month period beginning March 1, 2001, included in Attachment IV provided by the Sheriff's Department, which includes overtime costs of $2,645. The reduced amount of $126,259 also includes an additional $5,291 in possible over time costs, as discussed in Attachment III, provided by the

Sheriff's Department.[2] Mr. Zimmerly advises that the annualized cost of the work order in FY 2001-02, less the one-time costs, would be $168,536.

3. As stated previously, the Department of Child Support Services currently has two filled 8204 Institutional Police Officers providing security at the department's front door, which will be replaced by the two Deputy Sheriffs funded by the subject $144,945 work order from the Department of Child Support to the Sheriff's Department. According to the State Penal Code, the two Institutional Peace Officer positions are not permitted to access the California Law Enforcement Telecommunications System (CLETS). Therefore, according to Mr. Zimmerly, the department plans to request a reclassification of the existing two 8204 Institutional Police Officer positions to two Investigator positions. The Budget Analyst notes that: (a) once the two Deputy Sheriffs replace the two existing 8204 Institutional Police Officer positions the department will no longer need the two existing positions, and (b) the department has not sufficiently demonstrated its need for reclassifying the two existing 8204 Institutional Police Officer positions into two Investigator positions. Since the two existing 8204 Institutional Police Officer positions are currently filled, the Budget Analyst recommends that the proposed ordinance be amended to require the Department of Child Support Services to eliminate the two 8204 Institutional Police Officer positions as soon as each position becomes vacant.

4. As stated previously, the proposed supplemental appropriation includes $9,145 for obligations incurred for assistance with the CASES system already provided to Glenn County. Therefore, the proposed ordinance should be amended to provide for retroactive authorization. According to Mr. Zimmerly, the Department of Child Support Services has not yet received any of the subject funds from the State, since the State reimburses the

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[2] The Budget Analyst notes that the since the Department of Child Support Services is entirely funded through the State, the State should fund any overtime costs the Sheriff's Department may incur in order to station two Deputy Sheriffs at the Department of Child Support Services. Should the Sheriff's Department not need to incur additional overtime costs of $5,291, the funds would remain with the State since the State reimburses the Department of Child Support Services as expenses are claimed on a quarterly basis.

Department of Child Support Services as expenses are claimed on a quarterly basis. Mr. Zimmerly advises that the department has not incurred any obligations for any of the other costs under this $839,562 supplemental appropriation request.

Recommendations:

1. Reduce Salaries and Mandatory Fringe Benefits included in the proposed supplemental appropriation (File 00-2184) by $40,039, from $85,416 to $53,385, to reflect the actual number of months the proposed two new employees will be employed in FY 2000-01, in accordance with Comment No. 1. This reduction of $40,039 includes $32,031 for Permanent Salaries and $8,008 for Mandatory Fringe Benefits.

2. Reduce the proposed work order to the Sheriff's Department (File 00-2184) by $18,686, from $144,945 to $126,259, to reflect the actual number of months the work order will be in place, in accordance with Comment No. 2 above.

3. Amend the proposed ordinance (File 00-2184) to reduce the funding sources for the subject appropriation by $58,725 to correspond with the total $58,725 in reductions recommended above ($40,039 budgeted for the two new investigator positions and $18,686 budgeted for the work order to the Sheriff's Department).

4. Amend the proposed ordinance (File 00-2184) to require the Department of Child Support Services to eliminate the two existing 8204 Institutional Police Officer positions as each position becomes vacant, in accordance with Comment No. 3 above.

5. Amend the proposed ordinance (File 00-2184) to provide for retroactive authorization for $9,145 in services already provided to Glenn County related to the CASES system, in accordance with Comment No. 4 above.

<u>BOARD OF SUPERVISORS</u>
BUDGET ANALYST

6. Approve the proposed supplemental appropriation (File 00-2184), as amended, and approve the proposed amendment to the Annual Salary Ordinance (File 00-2183).

BOARD OF SUPERVISORS
BUDGET ANALYST

Department of Child Support Services
Customer Service Unit
Fiscal Year 2000-2001 (8 mos from 110100 thru 063001)

PERSONNEL		
Position		
1 - 8160 Assistant Chief Family Support Investigator (Step 5)		48,354
3 - 8159 Family Support Investigator III		*
1 - 8158 Family Support Investigator II (Step 5)		37,062
Subtotal Salaries	00100	85,416
Mandatory Fringe Benefits	01300	21,354
Total Personnel		106,770
OPERATING COSTS		
Travel	02300	4,394
Training	02300	16,500
Professional Services	02700	2,200
Contracts	02700	5,000
Services	02700	43,059
Printing	03500	2,750
Advertising	03500	2,750
Fuel/Auto Service	04000	4,400
Materials and Supplies	04000	2,200
Subscriptions	03500	200
Telephone Usage	081ET	61,392
Miscellaneous	03500	3,701
Total Operating Costs		148,546
ONE TIME COSTS		
Complaint Resolution Tracking Data Base Development (Computer Consulting)	02700	35,000
Voice Recognition Unit (VRU) Hardware	06000	5,500
Full Size Sedan	06000	21,000
Computer Equipment (6-PC's and 1-Printer)	04000	18,500
Total One Time Costs		80,000
Total State Allocation Spending Plan		335,316

* Three Ombudsperson positions budgeted in regular Child Support Services budget must be transferred per State requirements.

Source: Department of Child Support Services

WILLIE L. BROWN, JR.
MAYOR
CITY AND COUNTY OF
SAN FRANCISCO

MILTON M. HYAMS
ACTING DIRECTOR

DEPARTMENT OF CHILD SUPPORT SERVICES

617 Mission Street, San Francisco, CA 94105-3503 Tel. (415) 356-2700

January 10, 2001

Harvey Rose, Budget Analyst
San Francisco Board of Supervisors

CUSTOMER SERVICE UNIT STAFFING

The customer service function is a requirement of the state's Ombudsman Program. The Ombudsman program is established for the purpose of assisting customers in resolving issues related to their child support cases as well as other service-related functions.

The Department of Child Support Services Director shall appoint staff, qualified by training and experience to perform the duties of the office. In San Francisco, the need for several Ombudsman positions was identified based on caseload size. Because these three 8159, Family Support Investigator III positions were previously anticipated, they were budgeted for in the fiscal year 2000-2001. Upon release of the customer service initiative guidelines, the state made it clear that this unit was to be supervised by an individual that would report to the Director. This person was to have a strong background and broad experience in the child support program as well as an understanding of the principles of customer satisfaction and quality control. In addition, to be effective and gain the trust of the public, the customer service unit was designed to be autonomous and free from the influence of day-to-day operations. Thus, the need for a new 8160, Assistant Chief Investigator position to oversee the program was required to carry out the aforementioned, as well as provide quality control activities and report to the Director.
The Ombudsman work directly with the public, with much of the work being field related. The customer service unit, however, will perform many other service-related duties such as maintenance of the noncustodial parent (NCP Program) employment and training services. It is critical to have a caseload management person assigned to the unit to give exclusive care to the customer service unit child support cases. Thus the request for a new 8158, Family Support Investigator II caseworker position.

City and County of San Francisco

OFFICE OF THE SHERIFF

Michael Hennessey
SHERIFF

415 - 554 - 7225

January 10, 2001
Ref: BPM 2000-049

TO: Emilie Neumann

FROM: Jean Mariani

SUBJECT: Files 00-2184 and 00-2183

You requested additional information regarding two Sheriff's Deputies included in the Department of Child Support Services supplemental appropriation request.

Once this funding is approved, we would create two additional deputy requisitions. A new academy class begins February 5. Deputies enrolled in this academy will be available for service in six months. In the interim, the department will assign one deputy on regular salary and one deputy on overtime to work at the Department of Child Support Services. The additional overtime cost for the remainder of the fiscal year would be $2,645. These deputies are under the Field and Support Services Division, which has more flexibility in assignments than the other major service areas of the department, i.e., the jails and courts.

However, in the worst case scenario, should the department need to pay overtime to both assigned deputies, the incremental overtime cost for the four-month period (March 1 through June 30, 2001) would be approximately $5,291, or $1,323 per month, including related mandatory fringe benefits.

Based on a March 1, 2001 start date, the estimated cost of the work-order is $120,968.

ROOM 456, CITY HALL
1 DR. CARLTON B. GOODLETT PLACE
SAN FRANCISCO, CA 94102
FAX 415 - 554 - 7050

TOTAL P.02

8304 Deputy Child Support Services Base Salary (Top Step)	Count	Amount	Percentage	Pay Periods	
				0.0	
8304 Deputy	0	$2,094			-
3-1 through 6-30-2001				8.7	
8304 Deputy	0	$2,146			-
Total Base Salaries					-
Night Differential (1700-0700)	0.00	hrs/week	8.00%		-
Overtime	80.00	hrs/week	150.00%		55,337
Holiday Pay (11 days)	0	$318.03			-
POST Pay			6.00%		-
Annual Uniform Allowance	0	$750.00			-
Total Pay					55,337
Retirement (City Share)			7.099%		-
Retirement Pick-up			9.00%		-
Health Service	0	$83.46			-
Health Service Pick-up	0	$103.86			-
Dental Insurance	0	$39.42			-
2000 Benefit Increase	10%	$0.00			-
Medicare			1.45%		802
Unemployment Insurance			0.170%		94
Total Fringe Benefits					896
Subtotal Compensation					56,233
Initial Costs (uniform/radio)	0	$3,500.00			-
Total					56,233
Overhead @ 10% of Salaries (straight time)					3,735
TOTAL REQUESTED					59,968
Backfill for Academy					54,000
Uniform/Radio					7,000
Total 2000-01					120,968

Source: Sheriff's Department

Item 7 - File 00-1251

Department: Department of Public Health (DPH)

Item: Hearing to consider the release of $1,233,854 in reserved funds for the San Francisco General Hospital Department of Psychiatry Acute Inpatient Service.

Amount: $1,233,854

Source of Funds: During the Board of Supervisors FY 2000-01 budget hearings, $1,233,854 of the funding for the San Francisco General Hospital (SFGH) Department of Psychiatry was reserved in two amounts:

- $833,854 for permanent salaries.
- $400,000 for contractual services.

Description: According to Ms. Monique Zmuda of DPH, the Board of Supervisors appropriated $1,233,854 for the continuation of 24 acute inpatient psychiatric beds at SFGH. Ms. Zmuda states that these funds were reserved in order to allow the Board of Supervisors to review DPH's performance in (a) reducing the length of inpatient stays for psychiatric patients who are no longer acute, and (b) achieving its revenue goals.

Budget: The subject release of reserves would fund continuation of SFGH's acute inpatient psychiatric services at their current level by funding:

- Portions of ongoing civil service staff members' salaries ($833,854).
- The ongoing University of California, San Francisco contract for psychiatric physician services ($400,000).

Comments: 1. According to Ms. Zmuda, as part of its FY 2000-01 budget development, DPH proposed to eliminate 24 of the 92 acute inpatient psychiatric beds at SFGH. As this proposal was not accepted by either the Board of Supervisors or the Mayor, DPH formulated the following alternative strategy to fund the 24 beds.

SFGH psychiatric physicians asserted they could generate $1,800,000 in Medi-Cal, Medicare, and private health insurance revenue per year from the 24 SFGH beds. This assumed that the psychiatric patients occupying those beds were sufficiently acute to be eligible for Medi-Cal, Medicare, and private health insurance coverage. However, because the total cost of operating those beds was estimated to be $3,000,000, DPH agreed to provide the balance of $1,200,000 using (a) $800,000 of mental health contract funding previously used to place acute psychiatric patients with Medicare in other hospitals, and (b) $400,000 of General Fund support. Under the DPH proposal, if the SFGH psychiatric physicians failed to meet their revenue target because they were unable to reduce the length of psychiatric inpatient stays (particularly if they failed to reduce the number of decertified days for non-acute, non-revenue generating stays), then DPH would have the option to close some or all of the 24 beds.

DPH has supported this SFGH acute inpatient psychiatric services initiative by investing more resources into alternate levels of psychiatric care, in particular by creating more placement opportunities which are appropriate for patients diverted or discharged from acute care. Attachment I, provided by Ms. Zmuda, shows the 325 new beds which are being funded by DPH in FY 2000-01 at a total cost of $4,839,775 for the placement of non-acute psychiatric patients.

2. Ms. Zmuda states that, based on the plan to continue the 24 SFGH beds described in Comment No. 1 above, SFGH has maintained a full census of 92 acute inpatient psychiatric services thus far during FY 2000-01 As of October of 2000, the SFGH Department of Psychiatry has exceeded its performance objectives and financial goals. Attachment II, provided by DPH, shows that in October of 2000 the Department of Psychiatry had (a) reduced its year-to-date average length of stay (ALOS) to approximately 8.7 percent less than the goal, and (b) (a) exceeded its year-to-date revenue goal by approximately 3 percent.

3. Since the SFGH Department of Psychiatry has exceeded its performance objectives and financial goals, the Budget Analyst recommends release of the $1,233,854 in reserved funds for SFGH's acute inpatient psychiatric services.

Recommendation: Approve the proposed release of reserves.

New Program in FY 00-01	Number of New Beds/Slots	Amount
Increase in number of Organic Disorder Patched Skilled Nursing Beds	4	188,342
New LHH Med/ Psych SNF ward (funded through existing resources)	30	
Increase to Napa Intensive Skilled Nursing Psych Beds	4	456,000
Increased days at high level skilled nursing at Crestwood	1	40,000
New Supportive Housing Program -Le Naine	98	1,048,000
Respite hotel program for psych inpatient and PES referrals	50	900,000
Respite beds at Windsor Supportive Hotel program	16	120,000
New Residential Care Beds	20	324,766
New Shelter Support Mental Health Program	35	220,000
New residential diversion mental health program	12	1,052,000
New Homeless supportive housing through AB2034 Program	55	490,667
	325	4,839,775

Source: Department of Public Health

Attachment II

PERFORMANCE REPORT
OCTOBER 2000

Revenue	Actual Oct-00	Goal Oct-00	Variance Oct-00	Actual YTD	Goal YTD	Variance YTD
Medi-Cal:	$ 367,692	$ 321,626	$ 46,066	$ 1,324,173	$ 1,286,504	$ 37,669
Medicare:	$ 339,851	$ 376,481	$ (36,630)	$ 1,608,497	$ 1,505,924	$ 102,573
Commercial:	$ 49,720	$ 76,015	$ (26,295)	$ 256,194	$ 304,060	$ (47,866)
Short Doyle:	$ -		$ -	$ -		$ -
Other:	$ -		$ -	$ -		$ -
Totals:	$ 757,263	$ 774,122	$ (16,859)	$ 3,188,864	$ 3,096,488	$ 92,376

Payor Mix	Actual Oct-00	Goal Oct-00	Variance Oct-00	Actual YTD	Goal YTD	Variance YTD
Medi-Cal:	47%	54%	-7%	42%	54%	-12%
Medicare:	27%	26%	1%	29%	26%	3%
Commercial:	2%	4%	-2%	3%	4%	-1%
Short Doyle:	20%	14%	6%	19%	14%	5%
Other:	4%	2%	2%	7%	2%	5%
Totals:	100%	100%	0%	100%	100%	0%

ALOS	Actual Oct-00	Goal Oct-00	Variance Oct-00	Actual YTD	Goal YTD	Variance YTD
Medi-Cal:	24.44	15.00	(9.44)	16.03	15.00	(1.03)
Medicare:	13.20	15.00	1.80	15.88	15.00	(0.88)
Commercial:	19.50	15.00	(4.50)	17.13	15.00	(2.13)
Short Doyle:	11.47	15.00	3.53	11.39	15.00	3.61
Other:	11.67	15.00	3.33	8.05	15.00	6.95
Totals:	13.58	15.00	1.42	13.73	15.00	1.27

Note - Revenue data is from the SFGH Famis Interface Report and the Dept. of Psychiatry UR Acuity Database
Payor Mix data is from the SFGH Famis Interface Report
Average Length of Stay data is from the Dept. of Psychiatry UR Billing Database
ALOS does not include patients with a length of stay over 90 days

Performance Report.xls

Item 8 – File 00-2187

Department: Department of Public Health (DPH)

Item: Resolution authorizing the Director of Public Health and the Purchaser to execute a contract between the City and County of San Francisco and Health Advocates, LLP to provide uncompensated care recovery services.

Contract Term: March 1, 2001 through December 31, 2002 (approximately 22 months).

Description: Uncompensated care recovery services include the assistance to complete Supplemental Security Income (SSI) and Medi-Cal eligibility applications on behalf of DPH patients, and representation and legal assistance for patients in SSI fair hearings and appeals, for the purpose of collecting unpaid inpatient hospital bills for DPH services that are provided to indigent patients. The proposed resolution would authorize DPH to enter into a contract with Health Advocates, LLP (HA), a private contractor, to provide an uncompensated care recovery program.

The DPH issued a Request for Proposals (RFP) in September of 2000, and received the following two bids in response to its RFP: (1) Health Advocates, LLP for $1,180,000 each contract year and, (2) Paralign for $1,090,000 each contract year. Attachment I, provided by Ms. Monique Zmuda from the DPH, indicates that the bid amounts were based on estimated annual revenue of $6,000,000, which has since been reduced to $5,800,000. Ms. Zmuda further advises in Attachment I that HA reduced its bid by $90,000 to $1,090,000 each contract year, the same amount bid by Paralign, after negotiations with the DPH. According to Ms. Zmuda, HA was selected based on the DPH's evaluation of the established criteria, which awards points based on recent relevant experience, the scope of work to be performed, the quality of past projects and cost. Ms. Zmuda states that the DPH also required the bidder to provide these services by multi-lingual and multi-cultural staff. Ms. Zmuda further states that the DPH also built in additional services into the scope of work, including following up on treatment

authorization requests, and incurring the cost of re-billing for services provided, once the clients have been made eligible for Medi-Cal.

According to Ms. Zmuda, the DPH has contracted out uncompensated care recovery services since 1988 to help supplement in-house efforts on uncompensated care recovery services. Ms. Zmuda advises that San Francisco General Hospital (SFGH) has an internal staff of ten Hospital Eligibility Workers to assist SFGH patients in identifying financial resources to pay for inpatient hospitalization for which no source of funding is currently available. Eligibility determination, which is provided by DPH personnel, and authorized by the City's Department of Human Services, typically includes assistance in applying for Medi-Cal or SSI, and making appropriate third-party claims. The contractor will handle those cases which the internal DPH eligibility workers have deemed "unreimburseable," usually involving former inpatients who have been discharged form SFGH. These uncompensated care services include identifying financial resources to pay for the care provided, field work on behalf of indigent patients, such as visits to homeless shelters; assistance in obtaining further medical treatments or evaluations, as necessary; efforts to locate former inpatients whose addresses are not known, and patient advocacy and representation in appealing denials of benefits to administrative agencies.

Based on a prior year actual recovery from contracting this service, Ms. Zmuda advises that the DPH was paid approximately $5,800,000 a year, or approximately $483,333 a month from making indigent patients eligible for third-party payment. The DPH anticipates the same level of annual reimbursement to be made under the proposed contract period.

The proposed subject contract would only pay the contractor a percentage of the revenues actually collected, on behalf of the City, according to the following schedule:

Cumulative Revenues Generated Each Contract Year			Contingency Fees Paid to the Contractor
$0	to$1,999,999	NET	20 percent
$2 million	to$2,999,999	NET	18 percent
$3 million	and above	NET	16 percent

"NET" is used to describe the actual cash received by SFGH as opposed to any unique program determinations of allowable amounts and the deduction of contractual allowances. In accordance with the contract provisions, HA would be paid a varying fee by the DPH based on the percentage of the revenues collected by the contractor.

Comments:

1. As indicated above, the proposed contract would extend for the 22-month period from March 1, 2001 through December 31, 2002. According to Ms. Zmuda, DPH expects to realize approximately $10,633,333 in additional revenues under this 22-month contract, with the contractor to be paid an estimated $1,884,667, or an overall average of 17.72 percent of the revenue collected, for net estimated revenues to the City of $8,748,667 for the term of the 22-month contract. Attachment II, provided by DPH, highlights the estimated revenue and contingency fees associated with the subject contract agreement. As mentioned above, the actual contingency fees paid to HA will depend on the revenue realized during the contract period.

2. The proposed subject resolution authorizes the Director of Public Health and the Purchaser to make amendments to the subject contract, if needed. According to Ms. Zmuda, this is a standard provision in all of the DPH's contracts, which allows the DPH to make minor changes, such as including an additional scope of work requirement or extending a contract for a few months while an RFP is in process, but not change the intent of the original contract.

Recommendation: Approve the proposed resolution.

Attachment I

City and County of San Francisco

Department of Public Health

Mitchell H. Katz, M.D.
Director of Health

Date: December 20, 2000

Memo To: Harvey Rose
Budget Analyst

From: Monique Zmuda
Chief Financial Officer

Re: Proposed Contract with Health Advocates, LLP

This memo is in response to questions regarding the proposed contract with Health Advocates LLP, to provide uncompensated care recovery reimbursement services for the Community Health Network of the Department of Public Health.

The following summarizes the RFP Process:

Date RFP Issued: September 29, 2000
Selection Made: November 21, 2000

Number of Bidders: 2- Both profit-making private firms

Bid Amounts: Both firms were requested to bid on services for revenue recovery of $6 million annually. Although the bid from Health Advocates was $90,000 higher than the other qualified bidder, Health Advocates had a higher score, and thus was awarded the contract. In contract negotiations with Health Advocates, the Department was successful in securing a reduction equivalent to $90,000 in the contract rate for the services.

Attachment II

Uncompensated Care (Revenue) Recovery Services Contract

Vendor: Health Advocates		# Months	Annual Est. Revenue	Monthly Revenue	22-Month Est. Revenue
Contingency Fee		22	$5,800,000	$483,333	$10,633,333
20%	$0 through $1,999,999		$400,000		
18%	$2,000,000 through $2,999,000		$180,000		
16%	$3,000,000 and above		$448,000		
	Estimated Contingency Fee		$1,028,000	$85,667	$1,884,667
				Total Net Revenue to City	$8,748,667
				% of Total Estimated Revenue	17.72%

Item 9 - File 00-2185

Department:	Department of Public Health (DPH) Real Estate Division (RED)
Item:	Resolution authorizing a new lease of 11,125 square feet at 30 Van Ness Avenue for the Department of Public Health.
Location:	30 Van Ness Avenue, second floor
Purpose of Lease:	To provide space for the DPH's Health Promotion and Prevention unit (women's health services, traffic and injury prevention, tobacco cessation, and HIV prevention) which is currently located at 101 Grove Street and 1540 Market Street.
Lessor:	Herbst Foundation
Lessee:	The City and County of San Francisco, for use by the DPH.
No. of Sq. Ft. and Cost Per Month:	11,125 square feet at a monthly rental rate of $35,229.17 (approximately $3.17 per square foot per month). On an annual basis, rent would total $422,750 (approximately $38 per square foot per year).
Annual Cost:	$422,750
Utilities and Janitorial Service:	Provided by Lessor.
Term of Lease:	May 1, 2001 to February 28, 2006 (four years and ten months)
Right of Renewal:	Two options of five years each to extend the term of the lease. The first option to extend would adjust the rent for cost of living. The second option to extend would increase the rent to 95 percent of the then fair market value for space of comparable size, age, quality, and location within the Civic Center area of the City.

Source of Funds: $70,458.34 within the existing Fiscal Year 2000-2001 DPH budget (two months, May to June of 2000, at $35,229.17 rent per month). The amount of $70,458.34 comprises (a) $12,682.50 in State grant funds, and (b) $57,775.84 in General Fund monies. As shown in Attachment I provided by the DPH, the annual cost of approximately $422,750 for the proposed lease of 11,125 square feet of space at 30 Van Ness Avenue would be covered in the following manner: (a) $89,946 in State grant funds, and (b) $332,804 in General Fund monies. As noted in Attachment II provided by the DPH, funds for the proposed lease have been included in the Department's Fiscal Year 2001-2002 budget request. Mr. Charles Dunn of the Real Estate Division states that the proposed lease contains the standard clause (Section 23.22) which permits the City to terminate the lease in the event of non-appropriation of the necessary operating funds.

Description: The proposed resolution would authorize a new five year lease of 11,125 square feet of space at 30 Van Ness Avenue from the Herbst Foundation. This space would accommodate the DPH's Health Promotion and Prevention unit.

Comments: 1. The 60 employees that staff the DPH's Health Promotion and Prevention unit are currently located in 4,293 square feet at 101 Grove Street, a City-owned building, and 3,417 square feet at 1540 Market Street, a leased facility, for a total of 7,710 square feet. This lease at 1540 Market Street is on a month-to-month basis and will be terminated on May 1, 2001. Under the proposed lease, these 60 employees would move to 30 Van Ness Avenue to occupy 11,125 square feet of space. The new location at 30 Van Ness Avenue would provide DPH with approximately 185.4 square feet per employee, which is 56.9 square feet per employee more than the current average space of 128.5 square feet per employee. According to Mr. Dunn, the average amount of space per City employee ranges from 175 to 225 square feet. Attachment II, provided by the DPH, explains why the DPH needs 3,415, or 44.3 percent more square feet to alleviate overcrowded conditions. Mr. Dunn further points out that this proposed lease provides for a consolidation in

one location of the DPH Health Promotion and Prevention Unit.

3. The Lessor, the Herbst Foundation, would construct, at a maximum cost of $110,000 to the City, tenant improvements pursuant to the DPH's specifications, as shown in Attachment III provided by the DPH. According to Ms. Judith Schutzman of the DPH, the Department anticipates these improvements will be completed by May 1, 2000, which is the date that DPH employees would move into the new office space at 30 Van Ness Avenue. Ms. Schutzman states that DPH's share of these tenant improvement costs, estimated not to exceed $110,000, have already been budgeted in DPH's Fiscal Year 2000-2001 Operating Budget, as approved by the Board of Supervisors. The landlord would pay between $400,000 and $500,000 for these tenant improvements, for total estimated tenant improvement costs of $510,000 to $610,000. The Department would also pay for moving expenses at an estimated cost of $15,000, and telephone wiring and installation at an estimated cost of $100,000. Such expenses would be paid from DPH's Fiscal Year 2000-2001 Operating Budget, according to Ms. Schutzman.

4. As previously noted, under the present circumstances there is no additional rental cost to the City for the 101 Grove Street space which is City-owned. The proposed lease provides for a monthly rent of $35,229.17 for its five year term commencing May 1, 2001. This proposed rent of $35,229.17 is $31,538.81, or approximately 855 percent more than the current monthly rent charged to DPH for the Department's lease at 1540 Market Street, which is $3,690.36, or $1.08 per square foot per month. However, as stated in the attached memorandum from Mr. Dunn (Attachment IV), the monthly rent charged to DPH for the Department's month-to-month lease at 1540 Market Street will increase on May 1, 2001, to between $9,397 and $10,251, or $2.75 to $3.00 per square foot per month. In future years, the proposed rent of $35,229.17 at 30 Van Ness Avenue for 11,125 square feet would be between $24,978.17 and $25,832.17 more than the adjusted monthly rent that would be charged to DPH for the Department's existing lease at 1540 Market Street for 3,417 square feet, if DPH were to remain at such

premises, according to Mr. Dunn. However, DPH will be occupying 3,415 square feet of additional leased space (11,125 less 7,710 total square feet for the two offices at 101 Grove Street and 1540 Market Street.) Since the Department is vacating 4,293 square feet of City-owned space at 101 Grove Street, this will create 4,293 square feet of available space.

5. Mr. Dunn reports that the proposed monthly rental rate of $35,229.17 represents fair market value.

Recommendation: Approve the proposed resolution.

Attachment I

1/4/01

DEPARTMENT OF PUBLIC HEALTH
PROPOSED OCCUPANCY
HEALTH EDUCATION AND PREVENTION

Program	# Staff	Proposed Sq. Feet	Annual Proposed Rent	General Fund	State Grants	Moving From	Current Sq. Feet	Annual Current Rent
Health Promotion Management	3	556	21,128	21,128		101 Grove	390	0
Tobacco Free Project	5	935	35,530		35,530	1540 Market	1,296	29,159
Wedge	8	1,432	54,416		54,416	1540 Market	2,121	16,850
Pharmacy	1	169	6,413	6,413		101 Grove	150	0
Women's Health Services	12	2,025	76,950	76,950		101 Grove	720	0
African-American Health	2	371	14,098	14,098		101 Grove	240	0
Health Education*	32	5,637	214,215	214,215		101 Grove	2,493	0
Total	60	11,125	422,750	332,804	89,946		7,410	
Average per person/% Share		185		0.79	0.21		124	

*Includes:Child, Senior Health, Transitions, CHIPPS, Firearms, Pedestrian Safety, Violence Prevention, HIV Prevention, Training

City and County of San Francisco
Department of Public Health
Population Health & Prevention

COMMUNITY MENTAL HEALTH SERVICES

Judith Schutzman, MPA
Operations Manager

1380 Howard Street, 5th Floor
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Judy_Schutzman@dph.sf.ca.us

MEMORANDUM

Date: January 3, 2001

To: Anna Weinstein
Board of Supervisors' Budget Analyst

From: Judy Schutzman

Subject: File #00-2185
30 Van Ness Lease

The Department of Public Health proposes to relocate 60 employees of the Health Promotion and Prevention unit from 101 Grove Street and 1540 Market Street. At present, these units are housed in approximately 7,710 square feet of space; 4,293 square feet at 101 Grove and 3,417 square feet at 1540 Market. Of the 60 Health Promotion staff, 48 are located at 101 Grove Street. The space at 1540 Market Street would be abandoned once this move is accomplished.

In recent years, the Health Promotion unit has expanded significantly due to new programs promoting pedestrian and traffic safety, breast cancer awareness, tobacco cessation, HIV prevention and other public health concerns. As staff was added, they were housed wherever space could be found in 101 Grove. Several employees are doubled up in office space designed for one person. The 48 staff at 101 Grove have less than 90 square feet per person. In addition, because this unit provides health education services to the public, there is a significant need for public information and other training materials as well as meeting space for presentation of programs.

DPH management is working with the Bureau of Architecture to prepare a plan to rearrange the space at 101 Grove Street once this staff moves out. Some of the changes contemplated include relocation of the Immunization Clinic from the 4th floor to the 1st, moving the Epidemiology unit from 25 Van Ness to relieve overcrowding there, and providing Birth and Death records with more space.

File 00-2185 30 Van Ness, page 2

The Department proposes to pay for this space with partial funding from State revenue to the Tobacco Free and Wedge projects, approximately 21% of the total, and the balance with general fund monies. Funds for this lease have been included in the Department's fiscal year 2001-2002 budget request.

Should you have additional questions, please call me at 255-3405.

Cc: Monique Zmuda
Barbara Garcia
Charles Dunn, Real Estate

Attachment III

City and County of San Francisco
Department of Public Health
Population Health & Prevention

COMMUNITY MENTAL HEALTH SERVICES

Judith Schutzman, MPA
Operations Manager

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Judy_Schutzman@dph.sf.ca.us

MEMORANDUM

Date: December 29, 2000

To: Anna Weinstein
Board of Supervisors' Budget Analyst

From: Judy Schutzman

Subject: File #00-2185
30 Van Ness Avenue Turn-key Build-out

The Department of Public Health staff has worked with the lessor's architect to design space suitable for the needs of the Health Promotion and Prevention staff. The lessor will construct these improvements and turn the space over to us upon substantial completion. The improvements include construction of offices and low-height fixed partitions, paint, carpeting, doors and door hardware, lighting, air conditioning, standard electrical wiring, ceilings, code required life safety items, ADA compliance, permits and fees, etc. As part of the economic deal, DPH will contribute $110,000 toward these costs.

Cc: Monique Zmuda
Barbara Garcia
Charles Dunn, Real Estate Department

Date: 1/4/01
Sender: Charlie Dunn
To: Anna Weinstein
cc: Judy Schutzman
Priority: Normal
Receipt requested
Subject: DPH / 30 Van Ness

Anna,

As we discussed, DPH occupies space at 1540 Market St. (approx 3417 sq ft). These leases are on "month to month" at old rental rates ($1.08 psf /mo). DPH wants to consolidate these functions with others from 101 Grove to better serve the public (both for these services and other services such as providing immunizations at 101 Grove). Thus, Real Estate has not solicited a renewal proposal from the owners of 1540 Market St. This notwithstanding, it is highly likely that the owner will raise the rent for these spaces to fair market value which I estimate to be in the mid $30' s psf per year (say approximately $2.75 - $3.00 psf per mo.) There are a number of factors which would go into this rate - not the least of which would be tenant improvements and length of lease - which make predicting an exact rate difficult.

Item 10 - File 00-2145

Department: Airport

Item: Resolution approving a new Advertising Program Lease between Transportation Media, Inc. and the City and County of San Francisco, acting by and through its Airport Commission.

Lessor: City and County of San Francisco, acting by and through its Airport Commission

Lessee: Transportation Media, Inc., a division of Eller Media Company, Inc., an Illinois-based company.

Locations Being Leased: According to Mr. Bob Rhoades of the Airport, there are 144 locations for the proposed advertising, divided into two categories:

- Wall-mounted advertising spaces in the Airport's parking structures, transit stations, shuttle bus interiors, non-terminal bus shelters, the rental car center, and parking area connector tunnels.
- Silent monitors in the International Terminal's boarding areas. Silent monitors are 27 inch high-tech screens.

None of the proposed 144 advertising locations would be in the Airport's North Terminal, South Terminal, or former International Terminal.

Revenue Generated: Under this proposed lease, Transportation Media, Inc. is required to pay the Airport a first year Minimum Annual Guarantee of $4,050,000 or 70 percent of gross revenues, whichever is greater. The proposed lease states that the Minimum Annual Guarantee shall be increased annually by the amount of the Consumer Price Index's annual increase (adjusted for any decrease in the annual number of enplanements). If further advertising sites are added to the lease, then the Minimum Annual Guarantee would be increased on a pro rata basis, as determined by the Airport.

Term of Lease: Five years from the earlier of (a) the date on which any advertising is installed, or (b) February 1, 2001.

Right of Renewal: Three one-year options exercisable at the Airport Commission's sole option. Mr. Rhoades states that there is no right of renewal beyond the maximum term of eight years and that any future lease would be subject to a Request for Proposal (RFP).

Description: According to Mr. Rhoades, the Advertising Program Lease represents a new source of revenue for the Airport. Mr. Rhoades advises that the Airport Commission has had a policy banning advertising inside the Airport's terminals since the 1980s. This policy was amended in early 2000 when the Airport Commission decided to permit (a) advertising panels in certain limited areas within the Airport's parking structures, transit stations, shuttle bus interiors, non-terminal bus shelters, the rental car center, and parking area connector tunnels, and (b) silent monitors in the International Terminal's boarding areas. The advertisements displayed would be subject to approval by the Airport's Design and Review Committee[1]. The proposed lease prohibits advertisements which violate the Airport Advertising Standards Policy, including those which (a) advertise alcohol or tobacco products, (b) espouse political or religious views, (c) promote any illegal activity, gambling, or services in direct competition with the Airport's business objectives, or (d) contain offensive imagery or language. Transportation Media, Inc. would coordinate all of the advertisers.

Comments: 1. The RFP for the proposed lease was issued by the Airport in July of 2000 and firms were required to submit proposals with a Minimum Annual Guarantee of $2,000,000 or more. According to Mr. Patrick Quinn of the Airport, the Airport notified approximately 25 firms of an informational conference which was held on June 28, 2000. Seven of the firms which attended were subsequently sent a copy of the Airport's RFP. The seven firms which received the RFP were Airport Consulting

[1] The Airport's Design and Review Committee consists of Mr. Michael Allen (Project Manager, Bureau of Design and Construction), Mr. Amir Koleini (Principal Architect, Facilities, Operations and Maintenance), and Mr. Robin Chiang (Architect).

Incorporated, Blazers Airport Advertising, Cartelera Communications, Eller Media (Transportation Media, Inc.), Foster Media, JC Decaux (Sky Sites Airport Advertising), and Lee Fisher Associates. The Airport's RFP was issued at the same time as the airlines themselves issued a similar RFP for a separate advertising program in the jet bridges (the moveable corridors which connect the terminals to the airplanes). Mr. Rhoades states that on October 23, 2000 the airlines chose Transportation Media, Inc. out of the three proposals which were submitted to the airlines (see Comment No. 2). In response to the Airport's RFP, on October 27, 2000 the Airport received only one proposal from Transportation Media, Inc. which had already been awarded the airlines' jet bridge advertising program contract. Attachment I, provided by the Airport, explains why the Airport only received one bid in response to its RFP. The responsiveness of Transportation Media, Inc.'s proposal to the Airport RFP's minimum standards was evaluated by a five-member evaluation team comprising two outside consultants who are experts in design and advertising, one senior airline representative involved in advertising and promotions, an Airport official responsible for exhibitions, and an Airport Finance official. The Transportation Media, Inc. proposal included a Minimum Annual Guarantee to the Airport of $4,050,000 in the first year of the proposed lease, which is $2,050,000 or 102.5 percent more than the Minimum Annual Guarantee of $2,000,000 required under the Airport's RFP.

2. According to Mr. Rhoades, the idea of a jet bridge advertising program was initiated by the airlines which own 60 domestic terminal jet bridges. The Airport Commission approved the concept, and extended the program to include the 17 jet bridges the Airport owns in the new International Terminal which are operated by the airline consortium, the San Francisco Terminal Equipment Company, LLC (SFOTEC). This represents a total of 77 jet bridges. According to a policy statement approved by the Airport Commission, the airlines' jet bridge advertising program revenues are being split 35 percent for the airlines, 35 percent for the Airport, and 30 percent for Transportation Media, Inc. This means that

the airlines and the Airport jointly receive 70 percent of the gross revenues and Transportation Media, Inc. receives 30 percent, which is comparable to the 70/30 percent split between the Airport and Transportation Media, Inc. under the proposed lease. Mr. Rhoades states that, once the Airport Commission authorized the jet bridge advertising program, the airlines ran their own competitive bid process without any involvement from the Airport. The airlines received proposals from three firms: (a) Transportation Media, Inc., (b) Sky Sites Airport Advertising, an affiliate of JC Decaux, and (c) Inplaneview, Inc. The airlines chose Transportation Media, Inc. According to Mr. Quinn, the proposal submitted by Transportation Media, Inc. included a Minimum Annual Guarantee of $2,887,500 to the Airport[2] or 35 percent of gross receipts, whichever is greater. Mr. Rhoades states that the Airport has already received revenues from the jet bridge advertising program. Attachment II, provided by the Airport, outlines the history and financial arrangements of the jet bridge advertising program.

3. According to Mr. Rhoades, Transportation Media, Inc. is already booking advertisers to use the advertising space which will be available under the proposed lease. Since the gross advertising revenues are to be split 70 percent for the Airport and 30 percent for Transportation Media, Inc., Mr. Rhoades notes that, given the proposed lease's Minimum Annual Guarantee requirement of $4,050,000, Transportation Media, Inc. must generate annual revenues of approximately $5,785,714 in order to achieve its 30 percent share[3].

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[2] Under the jet bridge advertising program, the Minimum Annual Guarantee of $2,887,500 to the Airport represents annual revenue for the Airport in the amount of $37,500 for each of the 77 jet bridges. The airlines are guaranteed an equivalent amount. Since the gross advertising revenues are to be split 35 percent for the Airport, 35 percent for the airlines, and 30 percent for Transportation Media, Inc., given the Minimum Annual Guarantees of $2,887,500 for each of the Airport and the airlines, Transportation Media, Inc. must generate total advertising revenues of $8,250,000 in order to achieve its 30 percent share ($2,475,000).

[3] Under the proposed advertising program lease, the amount of $4,050,000 is approximately 70 percent of $5,785,714. Under the proposed lease, in Year 1, Transportation Media Inc. must pay a Minimum Annual Guarantee of $4,050,000, or 70 percent of its gross revenues, whichever amount is more.

4. The Minimum Annual Guarantee of $4,050,000 in Year 1 represents an average of approximately $28,125 per year for each of the 144 advertising sites. According to Mr. Rhoades, the actual charges made for each of those 144 advertising spaces will be determined by rate cards which are set according to market values. The proposed lease provides for Airport verification of gross advertising revenues through (a) a monthly gross receipts report signed by the Lessee, (b) an unqualified year-end report certified by a certified public accountant, (c) periodic audits of the Lessee's gross receipts, and (d) other reports and submissions requested at the discretion of the Airport Director.

5. The Budget Analyst questioned why the jet bridge advertising program contract between the airlines and Transportation Media, Inc. (in contrast to the subject proposed lease between the Airport and Transportation Media, Inc.), and the resulting revenues of at least $2,887,500 a year for the Airport, were not subject to Board of Supervisors approval. Mr. Rhoades states that the jet bridge advertising contract is between the airlines and Transportation Media, Inc. and that the Airport is not a party to that contract. With regard to the Airport's ability to receive revenues from the jet bridge advertising program without first obtaining Board of Supervisors approval, Ms. Mara Rosales and Ms. Adrienne Go of the City Attorney's Office state that the Airport's legal authority to receive such revenues stems from the Airport's Lease and Use Agreements with the airlines, which were previously approved by the Board of Supervisors in 1981. According to Ms. Rosales and Ms. Go, under these Lease and Use Agreements, the Airport Director has the authority to consent to variations to the prescribed uses of the Airport space leased by the airlines. Therefore, Ms. Rosales and Ms. Go state that, as a condition to granting his consent to such advertising, the Airport Director required the airlines to share a negotiated percentage of the resulting revenues with the Airport. In requiring a share of the advertising revenues in return for allowing the airlines to advertise on the jet bridges, the Airport Director has acted within the scope of the Lease and Use Agreements previously approved by the Board of Supervisors. Therefore, Ms. Rosales and Ms.

Go state that the jet bridge advertising revenues of at least $2,887,500 to be received by the Airport directly from the airlines do not require separate Board of Supervisors approval.

Recommendation: Approve the proposed resolution.

SFO

San Francisco International Airport

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MEMORANDUM

TO: Alan Gibson
Budget Analyst

DATE: January 4, 2001

FROM: Bob Rhoades
Deputy Airport Director
Business Division

SUBJECT: Request for Proposal Response

This is in response to your email dated January 3, 2001, regarding "further information request". This memorandum is addressing question no. 2, pertaining to Transportation Media, Inc., being the sole response to the Airport Advertising Request for Proposal.

On June 28, 2000, the Airport conducted a pre-proposal conference for the Airport Advertising Program. Through Concession Development and Management's outreach, twenty-five companies were identified through a national search and were issued the pre-proposal document.

Seven advertising companies responded and attended the pre-proposal informational conference (a list of the companies have been emailed to you). Transportation Media, Inc. was the only company to respond and to participate in the proposal process of the Airport Advertising Program.

Separately, Transportation Media, Inc. and JCDecaux/SkySites participated in a separate request for proposal issued and awarded (on behalf of the airlines) the loading bridge advertising program. Transportation Media, Inc., being the successful proposer, was awarded with this operating agreement.

cc: Patrick Quinn
Concession Development and Management

Attachment

San Francisco International Airport

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MEMORANDUM

TO: Alan Gibson
Budget Analyst

DATE: January 4, 2001

FROM: Bob Rhoades
Deputy Airport Director
Business Division

SUBJECT: Loading Bridges

In response to your email dated January 3, 2001, regarding "further information request", this memorandum is addressing question no.3, pertaining to the legal authority the airlines control the loading bridge advertising space and revenues.

In February 2000, the Airport amended its long standing position on commercial advertising in certain non-terminal areas. One of the areas the airport expanded included the airline-owned loading bridges in the domestic terminals. In order to allow the airlines to commercially advertise in their loading bridges, the airport made an agreement with the airlines that all revenues would be split in half between the Airport and the airlines. In return, the Airport provided the airlines the same opportunity with the loading bridges in the international terminal, which the Airport owns.

AvAirPros conducted a Request for Proposal (RFP) for the loading bridges on behalf of the airlines to facilitate the RFP process. The contract had three proposers: Transportation Media, Inc., A Division of Eller Media; JCDecaux – SkySites; and InPlaneView. Transportation Media, Inc. was awarded the contract based on their proposal.

Item 11 - File 00-1252

Department: Port of San Francisco

Item: Hearing to consider the release of reserved funds in the amount of $460,000 for fire protection improvements at Pier 50, including construction of a 12 inch ductile iron water main at Pier 50, for use as part of the $1,101,000 Piers 48 and 50 Fire Protection Project.

Amount: $460,000

Source of Funds: San Francisco Harbor Operating Fund

Description: In November of 1996, (File 101-96-19) the Board of Supervisors placed $1,329,000 on reserve for capital improvement projects pending the Port's selection of contractors and the submission of budget details. On four occasions since that time, the Board of Supervisors has released portions of the reserved funds for various projects, as indicated below:

Description	Date	Amount
Funds Initially Placed on Reserve	Nov. 1996	$1,329,000
Reserved Funds Released	Date Released	Amount Released
-Pier 1 ½, Emergency Wall Repairs	May 1998	$137,960
-Pier 47-A, Design Services for Reconstruction of Pier	May 1998	39,622
-Agricultural Building Design Work	May 1998	26,000
-Agricultural Building East Entry Stair Replacement	May 2000	202,900
Total Amount Released		406,482
Remaining Reserved Funds		**$922,518**

According to Ms. Imani Haygood of the Port, $460,000 of these funds were originally allocated in the Port's FY 1996-1997 Capital Projects budget for construction of fire walls at Pier 50, Shed A to improve fire protection at the Port. After reviewing the project, however, the Fire Marshall approved a sprinkler system as the best method of fire protection at Pier 50.

The proposed release of reserved funds would release $460,000 of the remaining $922,518 in reserved funds to contribute a portion of the total of $1,101,000 in total funds required to design and construct a sprinkler system, as well as other improvements at Pier 50. Specifically, components of the project would include (a) replacement of the current eight inch water main with a 12 inch ductile iron water main[1], (b) installation of a new fire sprinkler system for Pier 50, Shed A, (c) installation of new alarms and fire controls for Pier 50, Sheds A and D, (d) consultation by the San Francisco Water Department (see Comment No. 2), and (e) design consultation for construction. The proposed release of $460,000 in reserved funds plus $394,000 in existing capital appropriations plus $247,000 in funds received from a fire insurance settlement would fund the total project cost of $1,101,000.

The subject release of reserved funds would leave a total of $462,518 remaining on reserve ($922,518 in currently reserved funds less $460,000 in funds requested).

Budget: A summary project budget and list of project funding sources is as follows:

Project Budget	
Construction:	
New 12 inch ductile iron water main	$588,300
New fire sprinklers, alarms, and controls for Pier 50, Shed A	249,600
New alarms and controls for Pier 50, Shed D	16,730
Total base construction	$854,630
10% contingency	85,463
Total Construction	$940,093
SFWD Fire Main Services (actual cost)	143,000
Design Services (actual cost)	17,907
Total Project Budget	**$1,101,000**

[1] Ductile cast iron is a form of cast iron that is less likely to succumb to cracking or corrosion than older forms of iron. It represents an improvement over the material of which the current eight inch water main is composed.

Project Funding	
Proposed Release of Reserved Funds	$460,000
FY 1999-2000 Port Capital Budget	394,000
Pier 48 Fire Insurance Settlement	247,000
Total Project Funding	**$1,101,000**

Comments:

1. According to Ms. Haygood, the proposed project is anticipated to commence on or around February 1, 2001, and is expected to be completed by April 30, 2001.

2. Ms. Haygood states that the $143,000 budgeted for the San Francisco Water Department represents payment for engineering review and approval of proposed fire suppression improvements, some materials for integrating the proposed 12 inch water main into the City's water infrastructure, and other miscellaneous engineering fees. According to Ms. Haygood, the $17,907 the Department expended for design services was for design work conducted by the Utilities Engineers Bureau of the Public Utilities Commission (PUC). According to Ms. Haygood, the services provided by the Water Department and the Utilities Engineers Bureau were completed in March of 2000. These services were funded from FY 1999-2000 Port Capital Budget funds previously appropriated and allocated for the subject $1,101,000 project, according to Ms. Haygood.

3. According to Ms. Haygood, on September 14, 2000, the Port issued an Invitation for Bids to construct fire protection improvements as part of the Piers 48 and 50 Fire Protection Project. A Request For Proposal (RFP) was sent to the list of approved Human Rights Commission (HRC) contractors, minority newspapers, trade journals and construction-related publications. The subcontracting goals for this project were 17 percent MBE participation and six percent WBE participation. On October 31, 2000 the Port received four bids. The Port engineering staff and the HRC reviewed the submitted bids, and selected D'Arcy and Harty, Inc., who bid $854,630 as the lowest, responsive bidder meeting the Project subcontracting goals. The following table lists the contractors that responded to the Port's RFP, and their respective bids:

Contractor	Quote	Bidding Discount	Net Final Bid
D'Arcy & Harty Construction, Inc.	$854,630	5% LBE	$811,899
Proven Management, Inc.	931,250	10% MBE	838,125
Alpha Bay Builders, Inc.	947,819	10% MBE	853,037
A.Y. Seto Corporation	1,864,000	10% MBE	1,677,600

The Attachment, provided by the Port, is the bid summary document for the construction contract amount of $854,630.

4. According to Ms. Haygood, the water main that currently supplies Sheds A and D at Pier 50 is eight inches in diameter, and has suffered some corrosion since it was initially installed in 1926. Further, Ms. Haygood reports that the current eight inch main is not large enough to supply Pier 50 the volume of water necessary for proper operation of the proposed sprinkler system. The proposed release of reserved funds would allow the Port, along with other improvements, to replace the eight inch main with a 12 inch ductile iron water main, which would have the capacity to supply an adequate volume of water to the proposed sprinkler system at Pier 50, Shed A. Ms. Haygood notes that, in addition to providing additional fire protection to the Port, the new water main would also supply irrigation water to the new China Basin Shoreline Park, which is currently under construction. Ms. Haygood states that the new irrigation system would consist of sprinklers and other systems to supply grass and trees located at the park with adequate supplies of water.

Recommendation: Approve the requested release of reserved funds.

Attachment

Project: Piers 48 & 50 Fire Protection
Contract No.: 2648
Project Engineer: Skip Zeller
Project Manager: Skip Zeller

Prepared By: Skip Zeller
Checked By: Leo Bragagnolo
Date: 11/1/00
Bids Opened: 10/31/00

Bid Item	DESCRIPTION	Darcy & Harty Const. Inc. 1300 Carroll Avenue S. F., Ca. 94124	Proven Mgmt. Inc. 501 C. Chavez Blvd. S. F., CA. 94124	Alpha Bay Bldrs, Inc. 1962 47th Avenue S. F., CA. 94116	A. Y. Seto Corp. 1555 Yosemite Ave. S. F., CA. 94124	Engineer's Estimate August 22, 2000
Base Bid Item No. 1	New 12" ductile iron water main in Terry Francois Boulevard from vicinity of Third Street to and including the fire service for Pier 48.	$ 287,800.00	$ 170,000.00	$ 344,446.00	$ 737,000.00	$ 402,500.00
Base Bid Item No. 2	New 12" ductile iron water main in Terry Francois Boulevard from Pier 48 past Pier 50 to the foot of Mission Rock Street.	$ 300,500.00	$ 171,250.00	$ 356,496.00	$ 827,000.00	$ 402,500.00
Base Bid Item No. 3	New fire sprinklers, alarms, and controls for Pier 50, Shed A	$ 249,600.00	$ 530,000.00	$ 230,974.20	$ 250,000.00	$ 210,000.00
Base Bid Item No. 4	New alarms and controls for Pier 50, Shed D	$ 16,730.00	$ 60,000.00	$ 15,903.00	$ 50,000.00	$ 45,375.00
Total of Base Bid Items		$ 854,630.00	$ 931,250.00	$ 947,819.20	$ 1,864,000.00	$ 1,060,375.00
LESS 5% LBE, 10% MBE		$ (42,731.00)	$ (93,125.00)	$ (94,782.00)	$ (186,400.00)	
NET BASE BID TOTAL		$ 811,899.00	$ 838,125.00	$ 853,037.00	$ 1,677,600.00	
Additive Alternate Bid Item No. A1	New fire sprinklers, alarms, and controls for Pier 50, Shed B	$ 223,750.00	$ 250,090.00	$ 229,057.20	$ 180,000.00	$ 200,000.00
Additive Alternate Bid Item No. A2	New fire sprinklers, alarms, and controls for Pier 50, Shed C	$ 253,000.00	$ 284,590.00	$ 260,053.20	$ 210,000.00	$ 231,400.00
Additive Alternate Bid Item No. A3	New fire sprinklers, alarms & controls for Pier 48, Shed A land end only	$ 86,200.00	$ 110,400.00	$ 78,192.00	$ 65,000.00	$ 69,000.00
Additive Alternate Bid Item No. A4	New fire sprinklers, alarms & controls for Pier 48, Shed B land end only	$ 86,200.00	$ 110,400.00	$ 78,192.00	$ 65,000.00	$ 73,500.00

Item 12 – File 00-2163

Department: District Attorney

Item: Resolution concurring with the Controller's certification that assistance to certain victims of crime and education in community anti-street violence can continue to be practically performed for the District Attorney's Victim Witness Assistance Program by a private contractor for a lower cost than similar work services performed by City employees.

Services to be Performed: Victim Witness Services for the District Attorney's Victim Witness Assistance Program

Description: Victim Witness Services for the District Attorney's Victim Witness Assistance Program consist of helping lesbian, gay, bisexual, and transgender victims and witnesses to cooperate with the criminal justice system in prosecutions.

Charter Section 10.104 provides that the City may contract with private firms for services that can be practically performed for a lower cost than similar work performed by City employees.

The Controller has determined that contracting with Victim Witness Services for FY 2000-2001 would result in estimated savings as follows:

City-Operated Service Costs	Lowest Salary Step	Highest Salary Step
Salaries	$137,656	$163,176
Fringe Benefits	37,485	41,497
Total	$175,141	$204,673
Contractual Services Cost	(113,175)	(114,488)
Estimated Savings	$61,966	$90,185

Comments:

1. A contract for Victim Witness Services was first certified under Proposition J as required by Charter Section 10.104 in 1981 and such services have been provided by an outside contractor, Community United Against Violence (CUAV), a non-profit corporation, since that time. Ms. Linda Alexander of the District Attorney's Office advises that Victim Witness Services are provided on a sole-source basis by CUAV. According to Ms. Alexander, since 1981 CUAV has been the sole provider of (a) assistance to lesbian, gay, bisexual, and transgender victims of crime and (b) hate-crime prevention services, and is therefore uniquely qualified to provide such services.

2. The Contractual Services Cost used for the purpose of the analysis is based on (a) CUAV's estimated FY 2000-2001 costs to provide victim witness services, and (b) the salary and fringe benefits of 0.1 FTE 8131 Victim Witness Investigator II position in the District Attorney's Office to monitor the contract.

3. The one-year contract with CUAV for FY 2000-2001 commenced on July 1, 2000. Therefore, the proposed resolution should be amended to provide for retroactivity. According to Ms. Alexander, delays in processing the contract resulted in a delay in bringing the proposed resolution to the Board of Supervisors. The Budget Analyst notes that the District Attorney's office has submitted the above contract, after that contract has begun, each of the last three years. The budget analyst further notes that the Department has provided the same explanation of this for action each of the last three years.

4. The Attachment to this report, provided by the District Attorney's Office, is the Controller's supplemental questionnaire, with the responses from the District Attorney's Office.

Recommendation: Amend the proposed resolution to provide for retroactivity and approve the proposed resolution as amended.

CHARTER 10.104.15 (PROPOSITION J) QUESTIONNAIRE

DEPARTMENT: District Attorney's Office

CONTRACT SERVICES: Community United Against Violence

CONTRACT PERIOD: July 1, 2000 thru June 30, 2001

(1) Who performed the activity/service prior to contracting out?
No one performed these services prior to CUAV.

(2) How many City employees were laid off as a result of contracting out?
There have not been and will not be any City employees laid off as a result of the contract.

(3) Explain the disposition of employees if they were not laid off.
N/A

(4) What percentage of City employees' time is spent of services to be contracted out?
N/A

(5) How long have the services been contracted out? Is this likely to be a one-time or an ongoing request for contracting out?
The services have been contracted out since 1983. This is an on-going contract with annual requests.

(6) What was the first fiscal year for a Proposition J certification? Has it been certified for each subsequent year?
The contract precedes Proposition J. The Contract has been certified each year since Proposition J passed.

(7) How will the services meet the goals of your MBE/WBE Action Plan?
CUAV is a 501 ©3 non-profit. I do not believe it falls under MBE/WBE categories (as it is not "owned"). 50% of the Board are people of color.

(8) Does the proposed contract require that the contractor provide health insurance for its employees? Even if not required, are health benefits provided?
CUAV provides health insurance for it's employees.

(9) Does the proposed contractor provide benefits to employees with spouses? If so, are the same benefits provided to employees with domestic partners? If not, how does the proposed contractor comply with the Domestic Partners ordinance?
The contractor complies with the Domestic Partnership ordinance, providing benefits to both spouses and domestic partners.

Department Representative: Linda Alexander
Telephone Number: (415) 553-9044

Item 13 - File 00-2186

Department:	Department of Telecommunications and Information Services (DTIS) Department of Administrative Services, Real Estate Division (RED)
Item:	Resolution authorizing exercise of option regarding an extension an existing lease at One Market Plaza, on behalf of the Department of Telecommunications and Information Services.
Location:	One Market Plaza
Lessor:	EOP-One Market, L.L.C., a Delaware Corporation
Lessee:	City and County of San Francisco, DTIS
Purpose of Lease:	Space for the operation of the primary data center for networked computer and telecommunications systems used by the City and County of San Francisco.
No. of Square Feet and Cost Per Month Payable by the City to EOP-One Market:	19,051 square feet at approximately \$127,007 per month (approximately \$6.67 per square foot per month) or approximately \$1,524,080 annually. The rent would be adjusted annually for any increases in operating and/or Property Tax costs, not to exceed five percent over any previous year.
Term of Original Lease:	May 12, 1993 through January 31, 2001, with two five-year options to extend.
Term of Proposed Extension:	February 1, 2001 through January 31, 2006 (the first of two five-year options to extend).
Right of Renewal:	One additional five-year term, from February 1, 2006 through January 31, 2011.
Utilities and Janitor Services:	Landlord pays standard building services and utilities, with the exception of special environmental services necessary for data center

operations (such as high volume air conditioning and power requirements)[1].

Description: In 1993, the Board of Supervisors authorized the Director of Property to enter into a lease that allowed the relocation of the DTIS City data center from the basement of City Hall to One Market Plaza (File No. 64-93-5). The proposed resolution would authorize the Department to exercise the first of two five-year options, extending the current lease from February 1, 2001 through January 31, 2006. Unless extended, the current lease will expire on January 31, 2001.

Comments: 1. According to Mr. Steve Legnitto of RED, under the terms of the original lease, the City assumed occupancy of One Market Plaza for an initial period of approximately 7 years and 8½ months at the rate of $15.50 per square foot, annually, or approximately $1.29 monthly. Under the terms of this lease, the City is allowed two options to extend for five years each, with the rent to be adjusted for each five-year extension period to a mutually agreed upon fair market rate, according to Mr. Legnitto.

2. According to Mr. Legnitto, the proposed lease rate of $6.67 per square foot per month, or $80 per square foot annually, which is an increase of approximately 416 percent, represents fair market value. According to Mr. Legnitto, DRE initially rejected the proposed rate of $80 per square foot annually as too high. After an extensive review of available market data, however, DRE determined that the landlord's estimate of market value was considered to be the fair market value, according to Mr. Legnitto. Mr. Legnitto notes that subsequent to settling on the rate of $80 per square foot annually for the proposed lease extension, two other tenants entered into leases at One Market

[1] According to Mr. Steve Legnitto of RED, electricity, gas and water costs are split between the landlord and the City according to a formula that determines a standard level of use for office space. The landlord pays for "normal office use" of those utilities, and the City pays for use that is in excess of this standard level of use for office space.

Plaza at the rates of $90 and $115 per square foot annually.

3. Under the original lease agreement, the City is currently paying $15.50 per square foot annually (approximately $1.29 per square foot per month) for a total annual rent of $295,290. The proposed lease rate would therefore represent an increase of $64.50 per square foot annually ($80 less the current rate of $15.50), or a total increase of $1,228,790 annually ($1,524,080 less the current annual rate of $295,290) or an approximate 416 percent increase over the current lease rate. Mr. Legnitto explains, however, that DTIS initially took occupancy of the space under extremely favorable circumstances. According to Mr. Legnitto, the prior tenant of One Market Plaza, The Del Monte Corporation, had used the subject space as a data center. Consequently, many existing infrastructure improvements to the space that are particular to data center operations were already in place. Additionally, Mr. Legnitto notes that Del Monte was in the process of downsizing its operations, and, for purposes of expediency, arranged for DTIS to assume occupancy of the property for approximately half the market rate at that time, according to Mr. Legnitto[2]. While the current rent paid by the City for One Market Plaza under the original lease is $15.50 per square foot, annually, Mr. Legnitto estimates the fair market value of One Market Plaza in 1993 was roughly $30 per square foot, annually.

According to Mr. Legnitto, the large increase in rent is a result of a) the City having paid significantly below the market rate in the original lease and b) significant rent increases in the commercial real estate market since 1993.

4. According to Mr. Legnitto, the option of relocating the data center to less expensive space would not be practical unless and until City-owned

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[2] Subsequent to the City entering into the lease for One Market Plaza, the property was sold, along with the City's lease, to EOP-One Market, LLP, who is the current landlord.

space becomes available. Mr. Legnitto states that the eventual relocation of the DTIS data center will be extremely costly because a) new space must be improved to meet specific requirements of data center operations, which includes addition of special air conditioning and electrical systems infrastructure[3], and b) the DTIS data center operates 24 hours a day, and the move would require temporary duplication of many information systems so as not to interrupt or damage those systems. Thus, according to Mr. Legnitto, because the transaction costs associated with relocation of the data center are very high, RED and DTIS would prefer to wait until City-owned space, such as the new City construction at 525 Golden Gate Avenue, is available to ensure that the next relocation of the data center will be permanent.

5. According to Mr. Legnitto, under the terms of the current lease the City would have the right to sublet the current space at One Market Plaza if the City relocated the DTIS data center prior to completion of the proposed five-year extension. Mr. Legnitto notes that the agreement also contains the standard City contract provision which permits the City to terminate the lease in the event of non-appropriation of the necessary operating funds.

6. According to Ms. Kathryn Hile of DTIS, the funds DTIS receives from City Departments for computer and telecommunications services rendered are from both General Fund supported and non-General Fund supported departments. In the aggregate, these reimbursements to DTIS from City departments are made up of approximately 16 percent non-General Fund monies and 84 percent General Fund monies, according to Ms. Hile. Thus, Ms. Hile estimates that 84 percent of the cost of the

[3] Neither DTIS nor RED currently have current estimates as to the expected cost of making necessary improvements to any new space for DTIS. However, the City and previous landlord made approximately $1,630,965 in improvements to One Market Plaza prior to the City taking occupancy of the site in 1993. These additional improvements were needed despite the fact that extensive data center infrastructure already existed at the site. Further, Mr. Cuni Takeshita of DTIS states that the Department made a rough estimate in 1998, and determined that the cost of building infrastructure in a new space and acquiring equipment necessary for moving the data center would be in excess of $10,000,000.

proposed $1,228,790 increase in annual rent, or approximately $1,032,183 of that increase, will represent increased General Fund expenditures.

7. According to Ms. Hile, DTIS anticipated an increase in rent when formulating its FY 2000-2001 budget, and included in its budget funds sufficient to meet the increased cost of the proposed lease for the last 5 months of the 2000-2001 fiscal year, effective February 1, 2001.

Recommendation: Approve the proposed resolution.

Item 14 – File 00-2217

Department: Police (SFPD)

Item: Hearing to consider the release of reserved funds for the Police Department in the amount of $4,297,098 to fund overtime expenditures.

Amount: $4,297,098

Source of Funds: Police Department FY 2000-2001 General Fund Budget

Description: The SFPD's FY 2000-2001 General Fund budget includes budgeted overtime expenditures of $12,842,315. The Finance and Labor Committee placed a total of $4,297,098 of this amount on reserve, leaving $8,542,217 available for expenditure.

The table below provides a summary of overtime spending to date and projected spending for FY 2000-2001, as well as spending to date and projections for all Police Department General Fund Salary and Fringe Benefit accounts based on the Controller's payroll records.

Controller's Projection - Police Department General Fund Expenditures for Overtime and total Salaries and Fringe Benefits based on Expenditures through December 8, 2000

	FY 2000-2001 Budget	Actual Expenditures Through Pay Period Ending 12/08/2000	Projected Expenditures Through July 30, 2001 *	Projected Surplus (Deficit)
Overtime	$ 12,842,315	$ 7,658,749	$ 16,587,343	$ (3,745,028)
All Salaries and Fringe Benefits Including Overtime	196,392,203	86,948,008	195,747,064	645,139

* Projection based on spending at the level of the pay period ending 12/08/2000 for the remainder of the Fiscal Year.

As summarized in the table above, the Controller's latest projection report for salary and fringe benefit expenditures (including overtime) shows that:

- As of the pay period ending December 8, 2000, the SFPD has incurred General Fund overtime expenditures of $7,658,749.
- Through December 8, 2000 (or 11.5 of 26.0 pay periods in FY 2000-01) the SFPD has already expended 59.6 percent of its total overtime appropriation of $12,842,315, and 89.6 percent of its available, unreserved overtime funding of $8,542,217.
- Based on overtime expenditures incurred during the pay period ending December 8, 2000, the Controller's projection indicates that the SFPD will spend a total of $16,587,343 on overtime which is 29.2 percent or $3,745,028 more than the Department's total FY 2000-2001 overtime appropriation of $12,842,315.
- For all Salaries and Fringe Benefit Expenditures, including Overtime, the Controller's projection indicates that the SFPD will incur total expenditures of $195,747,064 in FY 2000-2001, which is $645,139 or 0.33 percent less than the FY 2000-2001 budget amount of $196,392,203.
- The SFPD spending plan currently projects deficit spending for overtime of $3,788,277, which is $43,249 more than the Controller's projection. However, for all Salaries and Fringe Benefits (including overtime) the SFPD projects a surplus of only approximately $93,480 which is $551,659 less than the Controller's latest projected salary and fringe benefit surplus of $645,139 (See Comment 1 below).

Based on a projected salary and fringe benefit surplus of $93,480, it is unlikely that the SFPD will require a supplemental appropriation in FY 2000-2001 assuming the Board of Supervisors releases a separate reserve of $1,700,195 for uniform salaries (see Comment 2 below).

Comments:

1. The SFPD's projected FY 2000-2001 surplus of $93,480 is comprised of the following elements:

Expenditure Object	Projected Surplus (Deficit)
Miscellaneous Salaries	$ 202,042
Uniform Salaries	2,567,041
Temporary Salaries	(118,264)
Premium Pay	(327,154)
Overtime	(3,788,277)
Holiday Pay	161,712
Fringe Benefits	1,396,380
Total FY 2000-2001 Deficit	$ 93,480

2. During the Finance and Labor Committee's hearings on the proposed FY 2000-2001 budget in June of 2000, the Finance and Labor Committee reserved an additional $1,700,195 "pending a plan for the hiring and training of additional Police Officers to bring the Department's staffing up to 1,971 Police Officers as required by Charter Section 4.127". The SFPD's FY 2000-01 budget proposed hiring 200 new Police Officers.

3. The SFPD began FY 2000-2001 with 2,077 Police Officers (excluding the Airport Police). Since that time, the Department's sworn staffing has changed as shown in the table below:

Changes to Police Sworn Staffing Since July 1, 2000
(Excluding Airport Police)

Sworn Staffing on July 1, 2000 2,077

New Hires

Academy Class Started 9/18/2000.................................44

Attrition:

Service or Disability Retirement................................. (37)
Resignations.. (18)
Recruits discharged from Academy............................... (7)
Deaths .... (2)

Sworn Staffing as of January 8, 2001.......................2,057

In addition to the current sworn staffing of 2,057, the SFPD hired 46 new recruits who began the Police Academy on January 8, 2001.

4. The SFPD's hiring schedule, presented to the Finance and Labor Committee during the June of 2000 budget hearings, projected that 200 new Police Officers would be hired during FY 2000-2001 as shown below:

FY 2000-2001 Police Hiring Plan Presented to Finance and Labor Committee in June of 2000

Date	Number of Police Officers Scheduled for Hire
9/1/2000	40 new recruits
10/28/2000	20 lateral transfers
11/25/2000	40 new recruits
3/03/2001	40 new recruits
3/31/2001	20 lateral transfers
06/09/2001	40 new recruits
Total	200 new hires

As noted above, to date, the SFPD has actually hired a new recruit class of 44 (on September 18, 2000) and a second new recruit class of 46 (on January 8, 2001) for a total of 90 new hires during FY 2000-2001. Of the new recruit class of 44 hired on September 18, 2000, seven were released from the Police Academy during their initial training period.

The original hiring plan has been revised by the SFPD since it was presented to the Finance and Labor Committee in June of 2000. During the remainder of the current fiscal year, the SFPD hiring projection calls for the hiring of 115 additional Police Officers, including 25 lateral transfers in March of 2001; 45 new recruits in April of 2001 and 45 new recruits in late June of 2001. If this hiring schedule is met, the SFPD will have hired a total of 205 (90 plus 115) new Police Officers during FY 2000-2001 or 5 more than originally anticipated. As noted above, seven of the 44 new recruits were released from the Academy class that began September 18, 2000, and it would be expected that some of the new hires during the remainder of this Fiscal

Year would likewise not complete their initial training for a variety of reasons.

The current, revised SFPD Hiring Plan is summarized in the table on the following page.

FY 2000-2001 Revised Police Actual Hires and Hiring Plan as of January 8, 2001

Date	Number of Police Officers Scheduled for Hire
Hired	
9/18/2000	44 new recruits
1/08/2001	46 new recruits
Planned Hires	
March of 2001	25 lateral transfers
April of 2001	45 new recruits
June of 2001	45 new recruits
Total	205

5. According to Captain John Goldberg, Commanding Officer of the SFPD Fiscal Division, the SFPD is currently preparing a potential request for the expenditure of approximately $800,000 in order to strengthen the SFPD's recruitment and hiring efforts using the Finance and Labor Committee's reserve of $1,700,195 discussed in Comment 2, above as a source of funds. However, as noted previously in this report, the SFPD's spending plan currently results in a projected yearend surplus of only $93,480 assuming that the reserve of $1,700,195 is released by the Finance and Labor Committee. Therefore, a request for new funding of an estimated $800,000 for recruitment and hiring would require a supplemental appropriation unless additional funds can be identified within the SFPD's existing budget.

6. The Budget Analyst has reviewed the SFPD's FY 2000-2001 spending plan which, as noted previously, results in a projected salary and fringe benefit surplus of $93,480, and therefore the SFPD will not require a supplemental appropriation in FY 2000-2001. This assumes that the Board of Supervisors releases the previously noted reserve of $1,700,195 for uniform salaries. However, in reviewing the Department's spending plan, the Budget Analyst has found that the SFPD has not accounted for and included all of the General Fund resources currently approved in the Department's FY 2000-2001 budget. Specifically, the spending plan estimates yearend total expenditures based on year to date total General Fund spending on salaries (including overtime) and fringe benefits, through the pay period ending December 8, 2000. However, the SFPD budget includes a General Fund Annual Project appropriation for the SFPD's Accelerated Hiring Project which has budgeted General Fund salary and benefit expenditures of $582,000. If these additional resources, which have not been accounted for in the SFPD's FY 2000-2001 spending plan, are incorporated in the SFPD's spending plan, the yearend projected surplus of $93,480 increases to $675,480 ($93,480 plus the additional budget resources of $582,000). According to Captain Goldberg, the SFPD spending plan will be corrected to include the General Fund project resources contained in the SFPD budget.

7. During the review of the proposed FY 2000-2001 SFPD budget in June of 2000, the Budget Analyst reported to the Board of Supervisors that the Police Department's recommended appropriation for overtime expenditures appeared to be underbudgeted by $2,250,000 compared to projections of FY 1999-2000 police overtime projections available at that time. In fact, the SFPD is now estimating that their overtime has been underbudgeted by $3,788,277. Also, the Budget Analyst recommended reductions to the SFPD proposed FY 2000-2001 budget of $1,645,025, which included reductions of $1,338,525 for Uniform Salaries and related Fringe Benefits. At that time, the Budget Analyst noted that the reductions of $1,333,525 to the SFPD proposed budget for Uniform Salaries and related Fringe Benefits would not impair the SFPD's ability to fund its planned hiring of 200 new Police Officers during FY 2000-2001. As noted in Comment 1 of this report, the SFPD's current spending plan projections show an anticipated surplus of $2,567,041 for Uniform Salaries and $1,396,380 for related Fringe Benefits, or a total surplus of $3,963,421. This surplus is

projected even after accounting for the SFPD plan to complete the scheduled hiring of 205 new Police Officers during the Fiscal Year.

The Police Department disagreed with the Budget Analyst's recommendation which was not accepted by the Finance and Labor Committee. By allowing the Police Department to maintain the $1,338,545 in its budget, the Police Department was able to spend more money on overtime which is presently anticipated to exceed the Police Department's budgeted overtime by $3,788,277, as previously noted.

Summary: The Finance and Labor Committee has reserved a total of $4,297,098 out of the SFPD's total overtime appropriation of $12,842,315. The SFPD is now requesting a release of that reserve. Based on the rate of spending on Police overtime between July 1, 2000 and December 8, 2000, the Controller's most recent data result in a yearend deficit projection of $3,745,028 in overtime, and a yearend surplus of $645,139 for all General Fund Salaries and Fringe Benefits including overtime.

The SFPD's internal spending plan projections estimate that by the end of FY 2000-2001, the overtime deficit will be $3,788,277. Overall, the SFPD spending plan, once corrected to account for General Fund resources budgeted for the Accelerated Hiring Project, will result in an overall projected salary and benefit surplus of $675,480. Therefore, a supplemental appropriation will not be required for the SFPD assuming a separate reserve of $1,700,195 is released by the Finance and Labor Committee. However, if the SFPD requests additional estimated funding of $800,000 for recruitment and hiring, a projected supplemental appropriation would be required based on the current projected surplus of $675,480.

The SFPD's original budget for FY 2000-2001 called for the hiring of 200 new Police Officers during the fiscal year. To date, actual hiring has been delayed somewhat, but the SFPD still anticipates that they will be able to successfully hire a total of 205 new Police Officers by the end of the Fiscal Year.

The Budget Analyst's projection that Police Overtime was underbudgeted by at least $2,250,000 and that Uniform Salaries and related Fringe Benefits was overbudgeted by $1,338,525, as reported to the Finance and Labor Committee in June of 2000 was, in fact, correct. This has permitted the SFPD to spend substantially more money on overtime then authorized by the Board of Supervisors. Such overtime spending is presently anticipated to exceed the Police Department's budgeted overtime by $3,788,277.

The Budget Analyst will provide the Finance and Labor Committee with an updated FY 2000-2001 budget status report when the SFPD submits their request for release of the separate reserve of $1,700,195 later in the Fiscal Year.

Recommendation: Approve the requested release of $4,297,098 in reserved overtime funds.

Harvey M. Rose

cc: Supervisor Yee
President Ammiano

City and County of San Francisco
Meeting Minutes
Finance and Labor Committee

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

Members: Supervisors Leland Yee, Tom Ammiano and Mark Leno

Clerk: Gail Johnson

Wednesday, January 24, 2001 **10:00 AM** **City Hall, Room 263**

Regular Meeting

Members Present: Leland Y. Yee, Tom Ammiano, Mark Leno.

MEETING CONVENED

The meeting convened at 10:06 a.m.

010041 **[Memorandum of Understanding Amendment No. 3 - Electrical Workers, Local 6]**

Ordinance implementing Amendment No. 3 to the 1997-2001 Memorandum of Understanding between the International Brotherhood of Electrical Workers, Local 6 and the City and County of San Francisco reconfirming the agency shop provision thereof effective July 1, 2000. (Human Resources Department)

1/5/01, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Alice Villagomez, Deputy Director, Employee Relations Division, Department of Human Resources.

RECOMMENDED by the following vote:

Ayes: 3 - Yee, Ammiano, Leno

010042 **[Memorandum of Understanding Amendment No. 3 - Glaziers, Local 718]**

Ordinance implementing Amendment No. 3 to the 1997-2001 Memorandum of Understanding between the Glaziers, Architectural Metal and Glass Workers, Local Union 718 and the City and County of San Francisco reconfirming the agency shop provision thereof effective July 1, 2000. (Human Resources Department)

1/5/01, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Alice Villagomez, Deputy Director, Employee Relations Division, Department of Human Resources.

RECOMMENDED by the following vote:

Ayes: 3 - Yee, Ammiano, Leno

010043 **[Memorandum of Understanding Amendment No. 4 - Laborers, Local 261]**

Ordinance implementing Amendment No. 4 to the 1997-2001 Memorandum of Understanding between the Laborers International Union, Local 261 and the City and County of San Francisco reconfirming the agency shop provision thereof effective July 1, 2000. (Human Resources Department)

1/5/01, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Alice Villagomez, Deputy Director, Employee Relations Division, Department of Human Resources.

RECOMMENDED by the following vote:

Ayes: 3 - Yee, Ammiano, Leno

010044 [Memorandum of Understanding Amendment No. 3 - Machinists, Local 1414]

Ordinance implementing Amendment No. 3 to the 1997-2001 Memorandum of Understanding between the Machinists Union, Local 1414, International Association of Machinists and Aerospace Workers, Machinists Automotive Trades District Lodge 190 and the City and County of San Francisco reconfirming the agency shop provision thereof effective July 1, 2000. (Human Resources Department)

1/5/01, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Alice Villagomez, Deputy Director, Employee Relations Division, Department of Human Resources.

RECOMMENDED by the following vote:

Ayes: 3 - Yee, Ammiano, Leno

010045 [Memorandum of Understanding Amendment No. 2 - Pile Drivers, Local 34]

Ordinance implementing Amendment No. 2 to the 1997-2001 Memorandum of Understanding between the Pile Drivers, Divers, Carpenters, Bridge, Wharf and Dock Builders, Local Union No. 34 and the City and County of San Francisco reconfirming the agency shop provision thereof effective July 1, 2000. (Human Resources Department)

1/5/01, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Alice Villagomez, Deputy Director, Employee Relations Division, Department of Human Resources.

RECOMMENDED by the following vote:

Ayes: 3 - Yee, Ammiano, Leno

010046 [Memorandum of Understanding Amendment No. 1 - Plumbers, Local 38]

Ordinance implementing Amendment No. 1 to the 1997-2001 Memorandum of Understanding between the United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry, Local No. 38 and the City and County of San Francisco reconfirming the agency shop provision thereof effective July 1, 2000. (Human Resources Department)

1/5/01, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Alice Villagomez, Deputy Director, Employee Relations Division, Department of Human Resources.

RECOMMENDED by the following vote:

Ayes: 3 - Yee, Ammiano, Leno

010021 **[November 2000 Branch Library Bond Program]**

Supervisor Yee

Hearing to determine and ensure that the voters' intent in approving the November 2000 Branch Library Bond Program is honored by the San Francisco Public Library and the San Francisco Library Commission; and to receive information from the San Francisco Public Library about where they intend to get the funds to implement both the first and second phases of improvements to the Main Library.

1/2/01, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Susan Hildreth, Acting City Librarian; Edward Harrington, Controller; Chris Ortiz, Member, Council of Neighborhood Libraries; Sue Cauthen, Member, Council of Neighborhood Libraries; Peter Warfield; Chuck Forrester, Executive Director, Friends and Foundation of Library; Deborah Doyle, Member of Board, Friends and Foundation of Library and Council of Neighborhood Libraries; Ellen Hubert, Member of Board, Friends and Foundation of Library; Theodore Lakey, Deputy City Attorney.

CONTINUED TO CALL OF THE CHAIR by the following vote:

Ayes: 3 - Yee, Ammiano, Leno

ADJOURNMENT

The meeting adjourned at 11:01 a.m.

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

January 18, 2001

TO: Finance and Labor Committee

FROM: Budget Analyst

SUBJECT: January 24, 2001 Finance and Labor Committee Meeting

Items 1, 2, 3, 4, 5 and 6 - Files 01-0041, 01-0042, 01-0043, 01-0044, 01-0045 and 01-0046

Department: Department of Human Resources (DHR)

Items: File 01-0041: Ordinance implementing Amendment No. 3 to the FY 1997-2001 four year Memorandum of Understanding between the International Brotherhood of Electrical Workers, Local 6 and the City and County of San Francisco reconfirming the Agency Shop provision thereof effective July 1, 2000.

File 01-0042: Ordinance implementing Amendment No. 3 to the FY 1997-2001 four year Memorandum of Understanding between the Glaziers, Architectural Metal and Glass Workers, Local Union 718 and the City and County of San Francisco reconfirming the Agency Shop provision thereof effective July 1, 2000.

File 01-0043: Ordinance implementing Amendment No. 4 to the FY 1997-2001 four year Memorandum of Understanding between the Laborers International Union, Local 261 and the City and

County of San Francisco reconfirming the Agency Shop provision thereof effective July 1, 2000.

File 01-0044: Ordinance implementing Amendment No. 3 to the FY 1997-2001 four year Memorandum of Understanding between the Machinist Union, Local 1414, International Association of Machinists and Aerospace Workers Machinists Automotive Trades District Lodge 190 and the City and County of San Francisco reconfirming the Agency Shop provision thereof effective July 1, 2000.

File 01-0045: Ordinance implementing Amendment No. 2 to the FY 1997-2001 four year Memorandum of Understanding between the Pile Drivers, Divers, Carpenters, Bridge Wharf and Dock Builders, Local Union No. 34 and the City and County of San Francisco reconfirming the Agency Shop provision thereof effective July 1, 2000.

File 01-0046: Ordinance implementing Amendment No. 1 to the FY 1997-2001 four year Memorandum of Understanding between the United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry, Local No. 38 and the City and County of San Francisco reconfirming the Agency Shop provision thereof effective July 1, 2000.

Description:

The proposed ordinances would amend (Amendments 1, 2, 3 or 4 depending on the union, see above) six existing FY 1997-98 through FY 2000-01 four-year Memoranda of Understanding (MOUs), retroactive for the one year period from July 1, 2000 through June 30, 2001 to reaffirm the Agency Shop provisions, that are currently included in the existing MOUs, with the following six unions:

1. International Brotherhood of Electrical Workers, Local 6;
2. Glaziers, Architectural Metal and Glass Workers, Local 718;
3. Laborers International Union, Local 261;

4. Machinist Union, Local 1414, which includes the International Association of Machinists and Aerospace Workers Machinists Automotive Trades District Lodge 190
5. Pile Drivers, Divers, Carpenters, Bridge, Wharf and Dock Builders, Local 34; and
6. United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry, Local 38.

In accordance with the State Meyers-Millias-Brown Act, California Government Code Sections 3500-3510, an Agency Shop means an arrangement that requires an employee, as a condition of continued employment, either to join the recognized employee organization (union), or to pay the employee organization a service fee in an amount not to exceed the employee organization's standard initiation fee, periodic dues, and general assessments of such employee organization for the duration of the bargaining agreement (or Memorandum of Understanding), or a period of three years from the effective date of such agreement, whichever period is less.

According to Ms. Alice Villagomez of the Department of Human Resources (DHR), although union membership in an employee organization having MOUs with the City and County of San Francisco is voluntary, if an employee chooses not to join a union, and that union has included an agency shop provision in their MOU, then that employee can be charged the agency shop fees by the employee organization that represents that employee's classification. The proposed six ordinances address the agency shop provisions for those City employees that are represented but do not voluntarily join one of the subject six unions. Ms. Villagomez advises that the agency shop fees are typically less than the total union membership fees charged to employees that choose to join the union because the agency shop fees can only include the costs for representation and cannot include the union's expenses for other non-representation activities, such as political

activities. Ms. Mary Hao advises that most, but not all of the City's MOUs contain agency shop fee provisions, and that State law prohibits supervisory, confidential or managerial employees from being subject to agency shop provisions.

The Attachment, provided by DHR, identifies (1) the number of employees that would be affected by the subject ordinances and (2) the amounts such employees pay on a biweekly basis to join each of the subject unions and (3) the amounts such employees pay on a biweekly basis if they do not join each union and instead are assessed the agency shop fees for each of the six MOUs. As shown on the Attachment, individual employees are charged agency shop fees, ranging from $15 to $35.78 per biweekly pay period, or a total of approximately $390 to $930 per year.

The Attachment contains variations in the amount of fees paid by employees in three of the subject unions (i.e., Plumbers Local 38, Laborers Local 261 and Electricians Local 6) because of internal variations in each of the union's formulas for assessing dues and agency shop fees. DHR advises that the number of employees indicated on the Attachment for each union do not include the supervisory, confidential or management employees within each union, because, as noted above, supervisory, confidential and management employees are not required to join an employee organization and the agency shop provisions are not enforceable for such positions.

Comments:

1. According to Ms. Villagomez, the six subject MOUs currently contain identical language to the language that is now being proposed regarding the Agency Shop provisions. These new amendments are being proposed because, as noted above, in accordance with the Meyers-Millias-Brown Act, State Government Code Sections 3500-3510, the Agency Shop provisions can only be in effect for a maximum of three years. The existing six MOUs extend for a four-year period, from July 1, 1997 through June 30, 2001. Therefore, after the third

year of the existing MOUs, which ended on June 30, 2000, these Agency Shop provisions were no longer in effect.

All of the subject ordinances would therefore amend the existing six MOUs, and reaffirm the same Agency Shop provisions as existed between FY 1997-98 through FY 1999-2000 to now become effective for FY 2000-01. All of the proposed amendments, for the existing six unions would be effective for the one year period, retroactive from July 1, 2000 through June 30, 2001, to meet the State's three-year limitation requirement.

2. According to Ms. Hao, these amendments are only now being brought before the Board of Supervisors for approval, almost seven months after their effective date of July 1, 2000, because the City Attorney's Office recently made DHR aware of the State's three-year limitation on the Agency Shop provisions.

3. Ms. Hao advises that the State's three-year limitation for Agency Shop provisions in the Meyers-Millias-Brown Act, was recently amended by the State Legislature, such that effective January 1, 2001, there are no limitations on the length of time such Agency Shop provisions are effective in multi-year MOUs.

4. Given that the proposed amendments would simply reaffirm existing Agency Shop provisions, the proposed ordinances would not have any fiscal impact on the City. However, as shown on the Attachment, individual employees would be charged agency shop fees, ranging from $15 to $35.78 per biweekly pay period, or a total of approximately $390 to $930 per year.

These Agency Shop fees are deducted by the Controller's Office, from the individual employees paychecks on a biweekly basis. Ms. Pamela Levin of the Controller's Office confirms that the proposed ordinances would not result in any incremental costs to the City. Ms. Levin also advises that the

Controller's Office charges a payroll deduction fee which is deducted from the Agency Shop fees transmitted to the employee organization to offset the Controller's cost of processing such deductions.

5. In accordance with the Agency Shop provisions, the City is required to provide each newly hired employee with information regarding each union and the agency shop provisions specified in their MOU. In addition, the Controller is required to provide (1) a list to the union of all employees that are members of the union and (2) a list to the union of all employees that pay the agency shop fees, identifying the employee's name, employee classification number, department number and the amount deducted.

6. In accordance with the Agency Shop provisions, the union is required to annually provide an explanation of the union's agency shop fees and sufficient financial information to employees to enable the employees who must pay service fees to gauge the appropriateness of the fees. In addition, the union must provide a reasonably prompt opportunity to the employees who they represent to challenge the amount of the agency shop fees before an impartial decision maker chosen by a nationally recognized arbitration agency, and the union is required to establish an escrow account to hold amounts reasonably in dispute while such challenges are pending. Each union also agrees to indemnify and hold the City harmless for any losses or damages arising from these provisions.

7. As indicated above, most, but not all of the City's MOUs contain agency shop fee provisions. Further, State law prohibits supervisory, confidential or managerial employees from being subject to agency shop fee provisions. Therefore, the Budget Analyst considers approval of the subject ordinances, which do not affect all City employees, to be policy matters for the Board of Supervisors.

Recommendation: Approval of the proposed ordinances are policy matters for the Board of Supervisors.

Attachment

Union	Agency Shop Fees*		Union Dues*	
	# of employees	Amount	# of employees	Amount
Plumbers Local 38	5	4 @ $26.02 1 @ $15.38	200	Flat dollar range between $23.15-$37.15
Glaziers Local 718	1	$35.78	0	
Pile Drivers Local 34	1	$15.00	2	$15.00
Automotive Machinists Local 1414	43	26.69	260	28.39
Laborers Local 261	0		316	Percentage based and employees pay between $6.96-$16.50
Electricians Local 6	67	Flat Dollar range between $16.96-$27.51	483	Flat dollar range between $18.57-$32.15

*Based on PPSD Report C114 as of 12/22/00.

Item 7 - File 01-0021

Department: Public Library

Item: Hearing to determine and ensure that the voters' intent in approving the November 2000 Proposition A, Branch Library Facilities Improvement Bond Program is honored by the San Francisco Public Library and the San Francisco Library Commission; and to receive information from the San Francisco Public Library about where they intend to get the funds to implement both the first and second phases of improvements to the Main Library.

Description: The Proposition A, Branch Library Facilities Improvement Bond, approved by the San Francisco voters in November of 2000, authorized $105,865,000 in General Obligation Bond monies for the acquisition, rehabilitation, renovation, improvement, construction and reconstruction of certain improvements and renovations to 24 Branch Libraries and to the Public Library's System-Wide Support Center/Brooks Hall (see Attachment I, provided by the Public Library for a list of the 24 Branch Libraries and the System-Wide Support Center/Brooks Hall), according to Mr. George Nichols from the Library.

On June 19, 2000, the Board of Supervisors approved a resolution to submit to the San Francisco voters on November 7, 2000, a proposition to incur bonded indebtedness of the City and County, in the principal amount of $129,425,000 for the acquisition, construction and reconstruction of certain improvements to Public Library Branch Facilities (File 00-1058). On June 29, 2000, a second resolution was submitted to the Board of Supervisors as a substitute for the resolution approved by the Board of Supervisors on June 19, 2000. However, the amount of the Library's proposed bonded indebtedness was reduced to $105,865,000, a reduction of $23,560,000 (File 00-1147) in this second resolution. According to Mr. Nichols, the reduction in the Branch Library Facilities Improvement Bond amount was due to recommendations by the City's Capital Improvement Advisory Committee (CIAC) for (a) the elimination of site acquisition costs for the proposed new Branch Library located in Mission Bay,

(b) a reduction in costs for the proposed System-Wide Support Center/Brooks Hall renovation, (c) the availability of State Proposition 14[1] funding, and (d) the availability of $2,400,000 from the Earthquake Safety Program II fund. Mr. Nichols advises that the Mission Bay Branch Library site acquisition costs were eliminated because the Public Library is working with the Redevelopment Agency to house the Mission Bay Branch Library with a neighborhood Senior Citizen Center to be located in Mission Bay. Mr. Nichols states that the System-Wide Support Center/Brooks Hall renovation costs were reduced because alternatives to the renovation of Brooks Hall and the construction of a new System-Wide Support Center as separate projects were reviewed, and found to be more cost effective by the CIAC.

Mr. Nichols advises that even though the bond amount was reduced, the bond resolution language remained the same. Such language specifically prohibited the Public Library from using any of the Proposition A, Branch Library Facilities Improvement Bond monies on improvements to the Main Library. On November 7, 2000, 74.38 percent of San Francisco voters approved Proposition A, the Branch Library Improvement Bond for $105,865,000.

Although the subject hearing references phase one and two of improvements to the Main Library, Mr. Nichols states that there are no stipulated phases for the improvements to the Main Library.

According to Mr. Nichols, an independent Post Occupancy Evaluation (POE) Final Report on the Main Library prepared by a consultant team consisting of an architect and two library consultants, was issued in January of 2000, outlining suggestions for improvements to the Main Library facilities totaling approximately $28,000,000 as detailed in the San Francisco Public Library POE. Such funds would be subject to appropriation approval of the Mayor and the Board of Supervisors. Since the issuance of the Final POE, the Library has been examining the

[1] Proposition 14, approved by the voters in March of 2000, provides $350 million of State-wide funds for library construction projects, which is available on a competitive basis, and requires a 35 percent local match.

POE recommendations to determine what recommendations are necessary to improve the building and, therefore, the efficiency of the Main Library. At the January 2, 2001 Library Commission Meeting, the Library presented the Commission with the Library staff's prioritized list of desired improvements for the Main Library which totaled approximately $5,272,500 (see Attachment II provided by the Public Library). Mr. Nichols advises that the Library Commission did not approve moving ahead with any projects on the list at that time. Mr. Nichols further advises that any projects for the Main Library approved by the Library Commission would also have to be approved by the Mayor and the Board of Supervisors and would be funded by fund balances remaining in the original 1988 $109,527,000 Library Improvement Bond, which currently total approximately $4,300,000.[2] In addition, Mr. Nichols advises that approval by the Mayor and the Board of Supervisors would be required to use unappropriated fund balances from the Proposition E, Library Preservation Fund to fund Main Library improvements. The Library is projecting a Library Preservation Fund fund balance of approximately $2,500,000 to $3,000,000 at the end of the FY 2000-2001. According to Mr. Nichols the Library would not use the November 2000 Proposition A, Branch Library Facilities Improvement Bond monies for any capital improvements to the Main Library. The balance in the 1988 Library Improvement Bond ($4,300,000) and the estimate balance in the Library Preservation Fund ($2,500,000 to $3,000,000) would be more than enough to fund the Public Library improvements of $5,272,500 for the improvements to the Main Library and are subject to appropriation approval of the Mayor and the Board of Supervisors.

Mr. Nichols further advises that at its January 18, 2001 meeting, the Library Commission will consider approval of a $1,549,886 supplemental appropriation for renovation and repairs to the Main Library in FY 2000-2001. The Attachment III, provided by the Public Library, highlights

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[2] Mr. Nichols advises that of the original $109.5 million 1988 Library Improvement Bond, $102.5 million was expended on the Main Library, and $4,831,284 was expended on the Branch Libraries, including $359,641 for the Mission Branch, $1,826,506 for the Chinatown Branch, $1,005,066 for the Sunset Branch, $999,071 for the Park Branch and $641,000 for the Presidio Branch.

the proposed projects totaling an estimated $1,549,886. Mr. Nichols advises that based on the Controller's anticipated six-month revenue projections[3], the Library proposes to spend $250,000 from unappropriated Proposition E Library Preservation Funds, $586,000 from unappropriated General Fund revenue mandated by Proposition E for Library use and $713,886 from the 1988 Library Improvement Bond for a total of $1,549,886 to support the proposed projects highlighted in Attachment III for the Main Library. Although, the proposed $1,549,886 of projects were recommended by the POE, these projects are not part of the approximately $5,272,500 package the Public Library staff discussed with the Library Commission on January 2, 2001, except for a $50,000 request for a signage consultant. Mr. Nichols advises that the proposed projects totaling $1,549,886, are, for the most part, projects recommended in the POE that can be completed independent of other modifications to the Main Library that will be more complicated to execute.

According to Mr. Nichols, the Public Library is currently planning the implementation of the Proposition A, Branch Library Facilities Improvement Bond Program, which may include the creation of a 2000 Proposition A, Branch Library Facilities Improvement Bond Oversight Committee. Members may include individuals from the Library Commission, the Council of Neighborhood Libraries, the Friends and Foundation of the San Francisco Public Library, the Board of Supervisors, the Mayor's Office and interested community members. One aspect of the Proposition A, Branch Library Facilities Improvement Bond Oversight Committee's role could be to ensure that the Proposition A, Branch Library Facilities Improvement Bond monies totaling $105,865,000 are spent as specified in the legislation the voters approved on November 7, 2000, according to Mr. Nichols.

Recommendation: Request the Public Library to instruct its 2000 Proposition A, Branch Library Facilities Improvement

[3] As of the writing of this report, according to Mr. Joe Matranga of the Controller's Office, the preliminary six-month projections appear to be accurate.

Bond Oversight Committee to issue reports to the Finance and Labor Committee on a semi-annual basis which detail all expenditures from the bond funds by facility and by individual projects.

H. M. Rose

Harvey M. Rose

Supervisor Yee
President Ammiano
Supervisor Leno
Supervisor Peskin
Supervisor Gonzalez
Clerk of the Board
Controller
Steve Kawa

Attachment 1

BRANCH LIBRARY IMPROVEMENTS
BOND PROGRAM REPORT

12/29/00

BRANCHES	Year Opened	PROGRAM: Seismic Upgrade	Disabled Access	Building Code Impacts	Modernization Improvements	Facility Expansion	New Building	ESTIMATED COSTS: Rehabilitation, Improvement & Relocation	Expansion	Site Acquisition	New Building	Totals
Anza	1932	✓	✓	✓	✓	✓		4,160,000	880,000			5,040,000
Bayview-A.E.Waden	1969		✓	✓	✓	✓		3,480,000	810,000			4,290,000
Bernal	1940	✓	✓	✓	✓	✓		5,020,000	490,000			5,510,000
Eureka Valley	1961	✓	✓	✓	✓	✓		4,050,000	820,000			4,870,000
Excelsior	1967	✓	✓	✓	✓			4,930,000				4,930,000
Glen Park	Rental						✓			1,790,000	2,990,000	4,780,000
Golden Gate Valley	1918	✓	✓	✓	✓	✓		4,940,000	730,000			5,670,000
Ingleside	Rental						✓			1,790,000	3,120,000	4,910,000
Marina	1954	✓	✓	✓	✓	✓		3,790,000	890,000			4,680,000
Merced	1958	✓	✓	✓	✓	✓		3,590,000	880,000			4,470,000
Mission Bay							✓				3,600,000	3,600,000
Noe Valley	1916	✓	✓	✓	✓	✓		4,230,000	660,000			4,890,000
North Beach	1959	✓	✓	✓	✓	✓		3,190,000	500,000			3,690,000
Ortega	1956	✓	✓	✓	✓	✓		3,300,000	760,000			4,060,000
Park	1909				✓			1,410,000				1,410,000
Parkside	1951	✓	✓	✓	✓			3,080,000				3,080,000
Portola	Rental						✓			1,790,000	3,120,000	4,910,000
Potrero	1951	✓	✓	✓	✓	✓		4,050,000	740,000			4,790,000
Presidio	1921				✓			1,640,000				1,640,000
Richmond	1914	✓	✓	✓	✓	✓		6,090,000	2,620,000			8,710,000
Sunset	1918				✓			1,610,000				1,610,000
Visitacion Valley	Rental						✓			2,110,000	3,450,000	5,560,000
West Portal	1939	✓	✓	✓	✓	✓		4,310,000	370,000			4,680,000
Western Addition	1966	✓	✓	✓	✓			3,660,000				3,660,000
System-wide Support Center/ Brooks Hall			✓	✓	✓			9,910,000				9,910,000
Project Costs								$ 80,440,000	$ 11,150,000	$ 7,480,000	$ 16,280,000	$ 115,350,000
Anticipated State Funds (Proposition 14)												($10,000,000)
Earthquake Safety Program II (ESP II) Funds												($2,400,000)
Financing Costs												$2,915,000
TOTAL BOND - BRANCH LIBRARY IMPROVEMENTS												$ 105,865,000

San Francisco Public Library
100 Larkin Street, San Francisco, CA 94102

Memorandum

To: Library Commissioners
From: Susan Hildreth, Acting City Librarian SH
Re: Post Occupancy Evaluation Recommendations
Date: January 2, 2001

At the suggestion of President Higueras, staff has prepared for your review a detailed analysis of the recommendations that were included in the Post Occupancy Evaluation of the Main Library. We have addressed the nineteen major recommendations included in the report, including staff response, timeline and estimated costs for each recommendation. The report also contained specific recommendations regarding audio-visual systems which we are addressing but have not included in this document.

In an attempt to summarize information contained in the report, I would like to highlight the following priorities identified by staff.

Projects with most benefit to public and staff — Total Cost - $5,272,500

1. Development of new master signage system to be completed by Fall 2001.
   Estimated cost - $350,000
2. Improvements to First Floor, Borrowers' Services area – A staff task force led by Ned Himmel is developing recommendations for this area, to be completed by June 2001.
   Estimated cost - $1,822,500
3. Expansion of First Floor for public services – Dependant on relocation of Technical Services; determination of new location to be made by Fall 2001.
   Estimated cost - $1,890,000. Does not include cost of relocation of Technical Services.
4. Improvements to First Floor restrooms - Dependant on relocation of Technical Services.
   Estimated cost - $400,000
5. Improvements to Second Floor – To be developed by January 2002.
   Estimated cost - $810,000

Modifications to the Third Floor, including reconfiguring service desks and increasing public space, will also be reviewed by staff. Estimated costs are $2,600,000.

Staff recommends that the Library Improvement Fund, with a balance of about $4,000,000, be used to support these modifications as they are developed. The Library Improvement Fund contains accrued interest and funds remaining from the bond for the construction of the Main Library. Staff is preparing a supplemental budget request including recommended building fixes that are not included in the above information that is planned for consideration on the 1/18/01 agenda.

GROUP 1 PROJECTS

Project	Project Description/Justification	Est. Cost
1. Loading Dock	The loading dock services the Main Library as well as Brooks Hall. The existing dock and lift cannot accommodate the variety of delivery vehicles that use the dock. This results in potentially hazardous conditions as loads must be manually off-loaded from trucks and lifted onto the dock. This project involves the purchase and installation of a mechanical lift that can handle the various delivery vehicles.	$34,500
2. Seismic Joint	The seismic joint requires modification, redesign, and/or repair due to inadequate sealing. The Library experiences water intrusion around the entire Main Library perimeter footprint and at the curtain wall pre-cast joints during inclement weather and paving wash down activities. The project involves installation of new flashing to redirect water, or installation of a gutter system to catch water. The Library has replaced damaged mildewing gypsum board several times because of water intrusion, and will continue to do so until a permanent fix is designed and installed.	109,750
3. Fire Doors	This is a fire, life, safety issue. Fire doors located near the Grove Street entrance and in the gallery on the lower level are manually operated. These are two extremely heavy fire doors that have been taken off-line from the fire/life safety system because they currently close too swiftly, have damaged interior surfaces and could injure staff and patrons. This funding will allow the doors to be closed by motors rather than counterweights. The project involves purchase and installation of motors and control panels to operate the fire doors.	40,480
4. Public Address System	The existing public address (PA) system is inadequate and needs upgrading. It does not cover non-public work areas on all floors including the lower level of the Main and Brooks Hall. This places staff working in those areas at risk in the event of an emergency. The project involves upgrading the PA system and extending the system into non-public work areas in the Main and in Brooks Hall.	95,000
5. Audio-Visual Systems	The POE found deficiencies with the existing AV systems in the Koret and other public meeting rooms. The use of the Koret and other public meeting rooms in the Library has exceeded initial expectations and capacity of the Library. These rooms have become a significant resource for community group meetings, City Agency meetings, private events, and varied public programming. The existing AV system does not adequately meet the diversity of programming that now occurs. This project involves the purchase and installation of AV equipment capable of handling the diversity of programming that occurs at the Library. Equipment purchase and installation will be done in accordance with recommendations of an A/V design	57,000

	consultant.	
6. Elevators	Elevator #7 serves the lower level, 1st and 2nd floors. It's motor often overheats during heavy use. This project would fund an oil cooler to prevent this problem from occurring. It would also fund refinishing of the all elevator interiors to a brushed finish to reduce vandalism and the cost of annual refinishing. Existing public elevator doors and cabs are covered with a mirror-like metal finish. Although attractive they are difficult and costly to maintain. The doors and cabs are subject to damage from normal use as well as from graffiti scratched or etched into the panels. The project involves refinishing the door and cab surfaces, converting them from their current highly reflective and mirror-like finish to a burnished scratch resistant surface.	49,433
7. Hyde Street Door	This project involves reconfiguring the staff entry on Hyde Street. The existing door is set-back from the sidewalk creating a small alcove. During hours the Library is closed, the alcove is used as a urinal by people on the streets. This significantly increases maintenance of the area and is a major health concern for staff entering and leaving the building through this door. The project involves purchase and installation of a rolling gate that will cover the alcove during the hours the Library is closed and setting the existing doors back to accommodate the rolling gate.	17,180
8. Exterior Granite and Lighting Repairs	Various granite pavers surrounding the building are broken and need to be replaced. Bollard lighting fixtures will provide needed evening illumination of the ramps and walkways on the Fulton and Larkin sides of the building.	64,600
9. Misc. Wall Repairs	Several of the walls and columns with encaustic finishes have been damaged and need to be restored. Patrons using reader chairs near the north and west windows on floors 3, 4 and 5 are constantly damaging the sheet rock since there is not much extra space between the back of the chair and the wall. Project involves repair of sheet rock and Installation of chair railings to prevent future damage.	11,600
10. 6th Floor Public Storage/Locker Replacement	Existing lockers on the 6th floor would be replaced with a recessed display case that would include a tackable back surface and adjustable shelves. The lockers are virtually unused and the display case would enhance exhibits that are staged on the 6th floor. The project involves design, construction, and installation of the display case.	6,042
11. Grove Street Entrance Display Case	This project involves the installation of display cases in the Grove Street entryway. Display cases will replace benches that are currently there. Grove Street is a major entry point into the building and the display cases would provide a convenient and effective source of information regarding programs, exhibits, and public service announcements.	14,850
SUBTOTAL CONSTRUCTION		**$500,435**
Design Contingency	10%	50,044
General Conditions	10%	50,044
Contractor's Overhead and	15%	90,078

Profit		
TOTAL EST. CONSTRUCTION BID		**$690,601**
Construction Contingency		103,590
TOTAL CONSTRUCTION		**$794,191**
Project Management, design, consultants, construction documents, permits, and management	35%	277,967
TOTAL PROJECT COST		**$1,072,158**

GROUP 2 PROJECTS

1. Replace damaged table tops	Tabletops in the public areas are heavily used and have been damaged through normal use and through deliberate acts of vandalism. Existing tabletops are constructed of wood. Although attractive they are difficult to maintain and unsightly when damaged. This project involves installing plastic laminate over existing wood tops for 60 tables. Laminate surfaces are easier to maintain and easier to repair when damaged. Project will be completed by the Bureau of Building Repair (BBR)/DPW.	$30,000
2. Door Stop Fabrication and Installation	Many of the doorstops used at glass doors are broken. A new type of doorstop has been tested by DPW and the Library that has proven to be effective in stopping these heavy glass doors from hitting walls/furniture. Project will be completed with the assistance of the Bureau of Building Repair/DPW. All glass door locations will be equipped with these doorstops.	6,825
3. Signage Consultant	A major finding of the POE was the inadequacy of signage in the Library. The report found that inadequate signage reduces operational efficiency by creating an over-reliance on staff by the public for basic directions and poses a barrier to the public's access to materials and services. The POE specifically noted that signage is not visible in the line of travel, stack signage is deficient, and that directional signs are not clear. The POE recommended that a signage consultant with a background in way-finding design for public facilities like the library be hired to develop a signage system that will mitigate existing problems and after the initial signs are done, can be replicated at a low-cost. This project provides funds to develop an RFP for consulting services and funds to pay for the consultant once selected.	50,000
4. Audio/Visual Systems Design	Project involves hiring an A/V consultant to assess and design an appropriate system.	20,000
5. Radio Repeater System	This is a fire, life, safety issue. There are numerous "dead" areas in the building where radio signals and communication cannot take place. Radio signals cannot be picked up in Brooks Hall. Because of these "dead" areas, Library	230,000

	personnel, private contractors, and emergency personnel working in these areas cannot communicate via radio and this places them at risk in emergency situations. The portable radio repeater system will allow for radio transmission in all areas of the main library and in Brooks Hall. Transmitting devices will be wired and installed which will provide needed radio signaling necessary for normal operations and for emergencies. The Library will work with DTIS to complete this project.	
TOTAL, OTHER PROJECTS		$336,825
PROJECT RESERVE		$140,903
TOTAL COSTS		$1,549,886

SOURCES

Library Preservation Fund (Proposition E)	$250,000
General Fund (Proposition E Mandated Contribution)	$586,000
Library Improvement Fund	$713,886

City and County of San Francisco
Meeting Minutes
Finance and Labor Committee

City Hall
1 Dr. Carlton B.
Goodlett Place
San Francisco, CA
94102-4689

Wednesday, January 31, 2001 | **10:00 AM** | **City Hall, Room 263**

Regular Meeting

Members Present: Mark Leno, Aaron Peskin, Matt Gonzalez.

MEETING CONVENED

The meeting convened at 10:04 a.m.

002145 **[S. F. International Airport Advertising Program Lease]**

Resolution approving San Francisco International Airport Advertising Program Lease between Transportation Media, Inc. (a division of Eller Media) and the City and County of San Francisco, acting by and through its Airport Commission. (Airport Commission)

12/6/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

1/17/01, CONTINUED. Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Cathy Widener, Governmental Affairs Administrator, Airport.
Continued to January 31, 2001.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Cathy Weidner, Government Affairs Administrator, Airport; Theodore Lakey, Deputy City Attorney; Theresa Rivor, Concessions Development Manager, Airport.
Amended at the end of line 5 by adding "requiring notice to the Finance Committee of any proposed advertising program expansion." Further amended by adding the following: "FURTHER RESOLVED, That the Airport Director shall communicate with the Finance Committee before implementing any proposal to expand the advertising program approved by this resolution." New title.

AMENDED.

Resolution approving San Francisco International Airport Advertising Program Lease between Transportation Media, Inc. (a division of Eller Media) and the City and County of San Francisco, acting by and through its Airport Commission; requiring notice to the Finance Committee of any proposed advertising program expansion. (Airport Commission)

RECOMMENDED AS AMENDED by the following vote:
Ayes: 3 - Leno, Peskin, Gonzalez

002187 **[Contract between the Dept. of Public Health and Health Advocates, LLP to provide uncompensated care recovery services]**

Resolution authorizing the Director of Public Health and the Purchaser to execute a contract between the City and County of San Francisco and Health Advocates, LLP to provide uncompensated care recovery services. (Public Health Department)

12/13/00, RECEIVED AND ASSIGNED to Public Health and Environment Committee.

12/28/00, TRANSFERRED to Finance and Labor Committee. At the request of the President, this matter is to be scheduled for the January 10, 2001 meeting.

1/17/01, CONTINUED. Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Monique Zmuda, Chief Financial Officer, Department of Public Health; Steve Reid, President, Paralign; Diane Sovereign (attorney); Linda Safir, Director of Sales, Paralign; Karla Fine, Manager, Paralign; Fanny Mayorga, Paralign; Juan Sosa, Paralign; Helen Lim, Paralign; Robert McCarthy (registered to speak for Paralign); Al Leibovic, Health Advocates; Theodore Lakey, Deputy City Attorney; Edward Harrington, Controller.
Continued to January 31, 2001.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Monique Zmuda, Chief Financial Officer, Department of Public Health.
Continued to February 7, 2001.

CONTINUED by the following vote:
Ayes: 3 - Leno, Peskin, Gonzalez

010053 **[Lease of property at 1421 Broderick Street for Department of Public Health to operate a residential care facility for persons who need 24-hour care and supervision]**

Resolution authorizing and approving the lease by and between the City and County of San Francisco, for the Department of Public Health, as tenant, and Seto Family Trust, as landlord, for the property located at 1421 Broderick Street. (Real Estate Department)

1/10/01, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Marc Trotz, Department of Public Health; Monique Zmuda, Chief Financial Officer, Department of Public Health; Anthony Delucchi, Director of Property, Real Estate Department; Richard Robinson, Community Organizer, Community Outreach Program.
Amended on page 2, line 5, by replacing "$0.67" with "$0.81."
AMENDED.

RECOMMENDED AS AMENDED by the following vote:
Ayes: 3 - Leno, Peskin, Gonzalez

010104 **[Settlement of Grievance, Local 21]**

Resolution authorizing settlement of the grievance filed by Glen Alston and the International Federation of Professional and Technical Engineers, Local 21, AFL-CIO ("Local 21"), on behalf of 16 Civilian Fire Inspectors pursuant to the Memoranda of Understanding between Local 21 and the City and County of San Francisco in the aggregate amount of $80,080.48. (Human Resources Department)

1/17/01, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Alice Villagomez, Deputy Director, Employee Relations Division, Department of Human Resources; Chief Gary Massetani, Bureau of Fire Inspection, Fire Department; Martin Gran, Deputy City Attorney; Glenn Alston.
Amended on lines 8 and 13, by replacing "$80,080.48" with "$81,625.52." New title.
AMENDED.

Resolution authorizing settlement of the grievance filed by Glenn Alston and the International Federation of Professional and Technical Engineers, Local 21, AFL-CIO ("Local 21"), on behalf of 16 Civilian Fire Inspectors pursuant to the Memoranda of Understanding between Local 21 and the City and County of San Francisco in the aggregate amount of $81,625.52. (Human Resources Department)

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Leno, Peskin, Gonzalez

ADJOURNMENT

The meeting adjourned at 11:33 a.m.

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642

FAX (415) 252-0461

January 25, 2001

TO: Finance and Labor Committee

FROM: Budget Analyst

SUBJECT: January 31, 2001 Finance and Labor Committee Meeting

Item 1 - File 00-2145

Note: This item was continued by the Finance Committee at its meeting of January 17, 2001.

Department: Airport

Item: Resolution approving a new Advertising Program Lease between Transportation Media, Inc. and the City and County of San Francisco, acting by and through its Airport Commission.

Lessor: City and County of San Francisco, acting by and through its Airport Commission

Lessee: Transportation Media, Inc., a division of Eller Media Company, Inc., an Illinois-based company.

Locations Being Leased: According to Mr. Bob Rhoades of the Airport, there are 144 locations for the proposed advertising, divided into two categories:

- Wall-mounted advertising spaces in the Airport's parking structures, transit stations, shuttle bus

interiors, non-terminal bus shelters, the rental car center, and parking area connector tunnels.

- Silent monitors in the International Terminal's boarding areas. Silent monitors are 27 inch high-tech screens.

None of the proposed 144 advertising locations would be in the Airport's North Terminal, South Terminal, or former International Terminal.

Revenue Generated: Under this proposed lease, Transportation Media, Inc. is required to pay the Airport a first year Minimum Annual Guarantee of $4,050,000 or 70 percent of gross revenues, whichever is higher. The proposed lease states that the Minimum Annual Guarantee shall be increased annually by the amount of the Consumer Price Index's annual increase (adjusted for any decrease in the annual number of enplanements). If further advertising sites are added to the lease, then the Minimum Annual Guarantee would be increased on a pro rata basis, as determined by the Airport.

Term of Lease: Five years from the earlier of (a) the date on which any advertising is installed, or (b) February 1, 2001.

Right of Renewal: Three one-year options exercisable at the Airport Commission's sole option. Mr. Rhoades states that there is no right of renewal beyond the maximum term of eight years and that any future lease would be subject to a Request for Proposal (RFP).

Description: According to Mr. Rhoades, the Advertising Program Lease represents a new source of revenue for the Airport. Mr. Rhoades advises that the Airport Commission has had a policy banning advertising inside the Airport's terminals since the 1980s. This policy was amended in early 2000 when the Airport Commission decided to permit (a) advertising panels in certain limited areas within the Airport's parking structures, transit stations, shuttle bus interiors, non-terminal bus shelters, the rental car center, and parking area connector tunnels, and (b) silent monitors in the International Terminal's boarding areas. The advertising display equipment would be subject to

approval by the Airport's Design and Review Committee[1], while other Airport staff would be responsible for reviewing the advertisements' content. The proposed lease prohibits advertisements which violate the Airport Advertising Standards Policy, including those which (a) advertise alcohol or tobacco products, (b) espouse political or religious views, (c) promote any illegal activity, gambling, or services in direct competition with the Airport's business objectives, or (d) contain offensive imagery or language. Transportation Media, Inc. would coordinate all of the advertisers.

Comments:

The Airport's Proposed Lease with Transportation Media, Inc.

1. The RFP for the proposed lease was issued by the Airport in July of 2000 and firms were required to submit proposals with a Minimum Annual Guarantee of $2,000,000 or more. According to Mr. Patrick Quinn of the Airport, the Airport notified approximately 25 firms of an informational conference which was held on June 28, 2000. Seven of the firms which attended were subsequently sent a copy of the Airport's RFP. The seven firms which received the RFP were Airport Consulting Incorporated, Blazers Airport Advertising, Cartelera Communications, Eller Media (Transportation Media, Inc.), Foster Media, JC Decaux (Skysites Airport Advertising), and Leigh Fisher Associates. The Airport's RFP was issued at the same time as a consortium of airlines issued a similar RFP for a separate advertising program in the loading bridges (the moveable corridors, mostly owned by the airlines, which connect the terminals to the airplanes). Mr. Rhoades states that on October 23, 2000 the Airline Consortium chose Transportation Media, Inc. out of the three proposals which were submitted to the Airline Consortium (see Comments No. 4 - 9). In response to the Airport's RFP, on October 27, 2000 the Airport received only one proposal from Transportation Media, Inc. which had already been awarded the Airline Consortium's loading bridge advertising program license agreement. Attachment I, provided by the Airport,

[1] The Airport's Design and Review Committee consists of Mr. Michael Allen (Project Manager, Bureau of Design and Construction), Mr. Amir Koleini (Principal Architect, Facilities, Operations and Maintenance), and Mr. Robin Chiang (Architect).

explains why the Airport only received one bid in response to its RFP.

2. The responsiveness of Transportation Media, Inc.'s proposal to the Airport RFP's minimum standards was evaluated by a five-member evaluation team comprising two outside consultants who are experts in design and advertising, one senior airline representative involved in advertising and promotions, an Airport official responsible for exhibitions, and an Airport Finance official. The Transportation Media, Inc. proposal included a Minimum Annual Guarantee to the Airport of $4,050,000 in the first year of the proposed lease, which is $2,050,000 or 102.5 percent more than the Minimum Annual Guarantee of $2,000,000 required under the Airport's RFP.

3. The Minimum Annual Guarantee of $4,050,000 in Year 1 represents an average of approximately $28,125 per year for each of the 144 advertising sites. According to Mr. Rhoades, the actual amount charged to each advertiser by Transportation Media, Inc. for each of those 144 advertising spaces will be determined by rate cards which are set according to market values. The proposed lease provides for Airport verification of gross advertising revenues through (a) a monthly gross receipts report signed by the Lessee, (b) an unqualified year-end report certified by a certified public accountant, (c) periodic audits of the Lessee's gross receipts, and (d) other reports and submissions requested at the discretion of the Airport Director. According to Mr. Rhoades, Transportation Media, Inc. is already booking advertisers to use the advertising space which will be available under the proposed lease.

<u>Licensing Agreement Between the Airline Consortium and Transportation Media, Inc.</u>

4. At the direction of the Finance and Labor Committee, the Budget Analyst has analyzed the loading bridge advertising program license agreement between the Airline Consortium and Transportation Media, Inc. This license agreement covers the moveable corridors which connect the terminals to the airplanes. Most of these

moveable corridors are owned by the airlines. According to Mr. Rhoades, the idea of a loading bridge advertising program was initiated by a consortium of airlines which own 60 domestic terminal loading bridges: American, Alaska, Continental, Delta, Northwest, United, and USA Airways. The Airport Commission approved this concept, extending the program to include the 17 loading bridges the Airport owns in the new International Terminal which are operated by the San Francisco Terminal Equipment Company, LLC (SFOTEC), representing 25 airlines which operate international flights out of the Airport[2]. In total, the Airline Consortium comprises 29 airlines[3] and the loading bridge advertising program covers a total of 77 loading bridges (60 in the domestic terminals and 17 in the new International Terminal). Mr. Rhoades states that, once the Airport Commission authorized the loading bridge advertising program, the Airline Consortium ran its own competitive bid process without any involvement from the Airport. The Airline Consortium required Transportation Media, Inc. to pay the Airline Consortium either a Minimum Annual Guarantee of $75,000 per loading bridge, for a total of $5,775,000 per year, or 70 percent of gross revenues, whichever is higher. In turn, the Airline Consortium is required to pay the Airport either (a) $2,887,500 which is one half of the Minimum Annual Guarantee amount of $5,775,000, or (b) 35 percent of gross revenues, whichever is higher.

5. The Airline Consortium received proposals from three firms:

(a) Transportation Media, Inc. which, according to Mr. Quinn, proposed a Minimum Annual Guarantee of $75,000 per loading bridge, or $5,775,000 in total.

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[2] SFOTEC members are Aeroflot, Air China, Air France, Alaska Airlines, All Nippon Airways, Allegro, Alitalia, Asiana, British Airways, Cathay Pacific, China Airlines, Eva Airways, Japan Airlines, KLM Royal Dutch Airlines, Korean Airlines, Lufthansa, Mexicana, Northwest, Philippine Airlines, Ryan International, Singapore Airlines, Swiss Air, Taca International, United Airlines, and Virgin Atlantic.

[3] The 29 airlines include 22 SFOTEC members which only operate international flights out of the Airport, four airlines which only operate domestic flights out of the Airport (American, Continental, Delta, and USA Airways), and three airlines which operate both international and domestic flights out of the Airport (Alaska, United, and Northwest).

(b) Skysites Airport Advertising, an affiliate of JC Decaux, which, according to Mr. Quinn, proposed a Minimum Annual Guarantee of $45,000 per loading bridge. Mr. Quinn noted that Skysites Airport Advertising's proposed Minimum Annual Guarantee was both (1) $30,000 per loading bridge less than the Minimum Annual Guarantee required by the Airline Consortium, and (2) based on an unrealistically high passenger throughput assumption of 2,000 passengers per loading bridge per day which only United Airlines' loading bridges currently meet.

(c) InPlaneView, Inc. which, according to Mr. Quinn, submitted neither a Minimum Annual Guarantee nor a performance bond.

The Airline Consortium chose Transportation Media, Inc. which was the only proposer to meet the Airline Consortium's Minimum Annual Guarantee requirements. Attachment II, provided by the Airport, outlines the history and financial arrangements of the loading bridge advertising program.

6. Mr. Quinn advises that each member of the Airline Consortium will sign an identical licensing agreement with Transportation Media, Inc. These documents cite the Airport's 50 percent required payment from either the Minimum Annual Guarantee received by the Airline Consortium (which is $2,887,500 for the Airport), or the 70 percent of gross revenues (which is 35 percent of gross revenues for the Airport), whichever is higher. Once these licensing agreements have been signed, Mr. Quinn advises that the Airport will require each member of the Airline Consortium to sign a third party agreement with the Airport. This third party agreement (a) approves airline installation of advertising in the loading bridges, (b) establishes the Airport as a third party beneficiary, and (c) provides the Airport with the right to terminate the loading bridge advertising program license agreement between the Airline Consortium and Transportation Media, Inc. upon 30 days written notice from the Airport Director, at which time each airline would be required to cease all advertising on its loading bridges and remove the advertising panels.

7. At the Finance and Labor Committee meeting of July 17, 2001, the Budget Analyst had questioned why the loading bridge advertising program license agreement between the Airline Consortium and Transportation Media, Inc. (in contrast to the subject proposed lease between the Airport and Transportation Media, Inc.), and the resulting revenues of at least $2,887,500 per year for the Airport, were not subject to Board of Supervisors approval. Mr. Rhoades states that the loading bridge advertising license agreement is between the Airline Consortium and Transportation Media, Inc. and that the Airport is not a party to that license agreement. With regard to the Airport's ability to receive revenues from the loading bridge advertising program without first obtaining Board of Supervisors approval, Ms. Mara Rosales and Ms. Adrienne Go of the City Attorney's Office state that the Airport's legal authority to receive such revenues stems from the Airport's Lease and Use Agreements with the airlines, which were previously approved by the Board of Supervisors in 1981. According to Ms. Rosales and Ms. Go, under these Lease and Use Agreements, the Airport Director has the authority to consent to variations to the prescribed uses of the Airport space leased by the airlines. Therefore, Ms. Rosales and Ms. Go state that, as a condition to granting his consent to such advertising, the Airport Director required the Airline Consortium to share a negotiated percentage of the resulting revenues with the Airport. In requiring a share of the advertising revenues in return for allowing the Airline Consortium to advertise on the loading bridges, the Airport Director has acted within the scope of the Lease and Use Agreements previously approved by the Board of Supervisors. Therefore, Ms. Rosales and Ms. Go state that the loading bridge advertising revenues of at least $2,887,500 to be received by the Airport directly from the Airline Consortium do not require separate Board of Supervisors approval.

8. Mr. Quinn states that United Airlines gave Transportation Media, Inc. notice to proceed with installing the first advertising on its loading bridges from January 18, 2001. The Airport will receive 35 percent of the gross revenues from this advertising. Such revenue will not contribute toward the Minimum Annual

Guarantee because the licensing agreements between each airline and Transportation Media, Inc. have not yet been signed. Payment of the Minimum Annual Guarantee will commence once those licensing agreements have been signed, according to Mr. Quinn.

<u>Comparison Between the Airport's Proposed Lease with Transportation Media, Inc. and the Airline Consortium's License Agreement with Transportation Media, Inc.</u>

9. On the basis of a detailed comparison between the license agreement between the Airline Consortium and Transportation Media, Inc. and the subject proposed lease between the Airport and Transportation Media, Inc., the Budget Analyst concludes that the economic provisions contained in each of the two contracts are fundamentally comparable and result in reasonable revenues being paid to the Airport. Under the licensing agreement between the Airline Consortium and Transportation Media, Inc. and the proposed subject lease between the Airport and Transportation Media, Inc., the Airport would receive total additional revenues of at least $6,937,500 annually under the combined Minimum Annual Guarantees. As previously noted, the Airport Director can terminate the license agreement between the Airline Consortium and Transportation Media, Inc. upon 30 days written notice, at which time each airline would be required to cease all advertising on its loading bridges and remove the advertising panels.

Recommendation: Approve the proposed resolution.

Attachment I

SFO

San Francisco International Airport

P.O. Box 8097
San Francisco, CA 94128
Tel 650.821.5000
Fax 650.821.5005
www.flysfo.com

MEMORANDUM

TO: Alan Gibson
Budget Analyst

DATE: January 4, 2001

FROM: Bob Rhoades
Deputy Airport Director
Business Division

SUBJECT: Request for Proposal Response

This is in response to your email dated January 3, 2001, regarding "further information request". This memorandum is addressing question no. 2, pertaining to Transportation Media, Inc., being the sole response to the Airport Advertising Request for Proposal.

On June 28, 2000, the Airport conducted a pre-proposal conference for the Airport Advertising Program. Through Concession Development and Management's outreach, twenty-five companies were identified through a national search and were issued the pre-proposal document.

Seven advertising companies responded and attended the pre-proposal informational conference (a list of the companies have been emailed to you). Transportation Media, Inc. was the only company to respond and to participate in the proposal process of the Airport Advertising Program.

Separately, Transportation Media, Inc. and JCDecaux/SkySites participated in a separate request for proposal issued and awarded (on behalf of the airlines) the loading bridge advertising program. Transportation Media, Inc., being the successful proposer, was awarded with this operating agreement.

cc: Patrick Quinn
Concession Development and Management

Attachment I

SFO

San Francisco International Airport

P.O. Box 8097
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www.flysfo.com

MEMORANDUM

TO: Alan Gibson
Budget Analyst

DATE: January 4, 2001

FROM: Bob Rhoades
Deputy Airport Director
Business Division

SUBJECT: Loading Bridges

In response to your email dated January 3, 2001, regarding "further information request", this memorandum is addressing question no.3, pertaining to the legal authority the airlines control the loading bridge advertising space and revenues.

In February 2000, the Airport amended its long standing position on commercial advertising in certain non-terminal areas. One of the areas the airport expanded included the airline-owned loading bridges in the domestic terminals. In order to allow the airlines to commercially advertise in their loading bridges, the airport made an agreement with the airlines that all revenues would be split in half between the Airport and the airlines. In return, the Airport provided the airlines the same opportunity with the loading bridges in the international terminal, which the Airport owns.

AvAirPros conducted a Request for Proposal (RFP) for the loading bridges on behalf of the airlines to facilitate the RFP process. The contract had three proposers: Transportation Media, Inc., A Division of Eller Media; JCDecaux – SkySites; and InPlaneView. Transportation Media, Inc. was awarded the contract based on their proposal.

Item 2 – File 00-2187

Note: This item was continued by the Finance and Labor Committee at its meeting of January 17, 2001.

Department: Department of Public Health (DPH)

Item: Resolution authorizing the Director of Public Health and the Purchaser to execute a contract between the City and County of San Francisco and Health Advocates, LLP to provide uncompensated care recovery services.

Contract Term: March 1, 2001 through December 31, 2002 (approximately 22 months).

Description: Uncompensated care recovery services include the assistance to complete Supplemental Security Income (SSI) and Medi-Cal eligibility applications on behalf of DPH patients, and representation and legal assistance for patients in SSI fair hearings and appeals, for the purpose of collecting unpaid inpatient hospital bills for DPH services that are provided to indigent patients. The proposed resolution would authorize DPH to enter into a contract with Health Advocates, LLP (HA), a private contractor, to provide an uncompensated care recovery program.

The DPH issued a Request for Proposals (RFP) in September of 2000, and received the following two bids in response to its RFP: (1) Health Advocates, LLP for \$1,180,000 each contract year and, (2) Paralign for \$1,090,000 each contract year. Attachment I, provided by Ms. Monique Zmuda from the DPH, indicates that the bid amounts were based on estimated annual revenue of \$6,000,000, which has since been reduced to \$5,800,000. Ms. Zmuda further advises in Attachment I that HA reduced its bid by \$90,000 to \$1,090,000 each contract year, the same amount bid by Paralign, after negotiations with the DPH. According to Ms. Zmuda, HA was selected based on the DPH's evaluation of the established criteria, which awards points based on recent relevant experience, the scope of work to be performed, the quality of past projects and cost. Ms. Zmuda states that the DPH also required the bidder to provide these services by multi-lingual and multi-cultural staff. Ms. Zmuda further states that the DPH also built in additional services into the scope of work, including following up on treatment

authorization requests, and incurring the cost of re-billing for services provided, once the clients have been made eligible for Medi-Cal.

According to Ms. Zmuda, the DPH has contracted out uncompensated care recovery services since 1988 to help supplement in-house efforts on uncompensated care recovery services. Ms. Zmuda advises that San Francisco General Hospital (SFGH) has an internal staff of ten Hospital Eligibility Workers to assist SFGH patients in identifying financial resources to pay for inpatient hospitalization for which no source of funding is currently available. Eligibility determination, which is provided by DPH personnel, and authorized by the City's Department of Human Services, typically includes assistance in applying for Medi-Cal or SSI, and making appropriate third-party claims. The contractor will handle those cases which the internal DPH eligibility workers have deemed "unreimburseable," usually involving former inpatients who have been discharged form SFGH. These uncompensated care services include identifying financial resources to pay for the care provided, field work on behalf of indigent patients, such as visits to homeless shelters; assistance in obtaining further medical treatments or evaluations, as necessary; efforts to locate former inpatients whose addresses are not known, and patient advocacy and representation in appealing denials of benefits to administrative agencies.

Based on a prior year actual recovery from contracting this service, Ms. Zmuda advises that the DPH was paid approximately $5,800,000 a year, or approximately $483,333 a month from making indigent patients eligible for third-party payment. The DPH anticipates the same level of annual reimbursement to be made under the proposed contract period.

The proposed subject contract would only pay the contractor a percentage of the revenues actually collected, on behalf of the City, according to the following schedule:

Cumulative Revenues Generated Each Contract Year			Contingency Fees Paid to the Contractor
$0	to$1,999,999	NET	20 percent
$2 million	to$2,999,999	NET	18 percent
$3 million	and above	NET	16 percent

"NET" is used to describe the actual cash received by SFGH as opposed to any unique program determinations of allowable amounts and the deduction of contractual allowances. In accordance with the contract provisions, HA would be paid a varying fee by the DPH based on the percentage of the revenues collected by the contractor.

Comments:

1. As indicated above, the proposed contract would extend for the 22-month period from March 1, 2001 through December 31, 2002. According to Ms. Zmuda, DPH expects to realize approximately $10,633,333 in additional revenues under this 22-month contract, with the contractor to be paid an estimated $1,884,667, or an overall average of 17.72 percent of the revenue collected, for net estimated revenues to the City of $8,748,667 for the term of the 22-month contract. Attachment II, provided by DPH, highlights the estimated revenue and contingency fees associated with the subject contract agreement. As mentioned above, the actual contingency fees paid to HA will depend on the revenue realized during the contract period.

2. The proposed subject resolution authorizes the Director of Public Health and the Purchaser to make amendments to the subject contract, if needed. According to Ms. Zmuda, this is a standard provision in all of the DPH's contracts, which allows the DPH to make minor changes, such as including an additional scope of work requirement or extending a contract for a few months while an RFP is in process, but not change the intent of the original contract.

3. At the Finance and Labor Committee Meeting of January 17, 2001, the Committee requested that the DPH provide, (a) additional facts pertaining to a protest made by Paralign, the existing contractor, and (b) the results of

the Human Rights Commission evaluation of the DPH Request for Proposal Process (RFP), including why the contract was awarded to a vendor that was not the lowest bid. Ms. Zmuda states that Paralign appealed the DPH contract award to Health Advocates and claimed that the bid evaluation process was flawed. Ms. Zmuda states that Paralign's claim that the process was flawed was based on the participation of the Program Manager in the bid evaluation process. Ms. Zmuda states that it is DPH policy to include the Program Manager in the evaluation of bids in order to provide technical assistance to the evaluation panel. Ms. Zmuda advises that the Paralign appeal was denied based on the finding that the DPH followed its policy and that there was no irregularity in the process.

According to Ms. Zmuda, the Human Rights Commission has not yet completed its written report for the Finance and Labor Committee on its evaluation of the DPH RFP process. Therefore, Ms. Zmuda requests that this item be continued for one week.

Recommendation: Continue the proposed resolution for one week as requested by the Department of Public Health.

<u>BOARD OF SUPERVISORS</u>
BUDGET ANALYST

Attachment I

City and County of San Francisco

Department of Public Health

Mitchell H. Katz, M.D.
Director of Health

Date: December 20, 2000

Memo To: Harvey Rose
Budget Analyst

From: Monique Zmuda
Chief Financial Officer

Re: Proposed Contract with Health Advocates, LLP

This memo is in response to questions regarding the proposed contract with Health Advocates LLP, to provide uncompensated care recovery reimbursement services for the Community Health Network of the Department of Public Health.

The following summarizes the RFP Process:

Date RFP Issued: September 29, 2000
Selection Made: November 21, 2000

Number of Bidders: 2- Both profit-making private firms

Bid Amounts: Both firms were requested to bid on services for revenue recovery of $6 million annually. Although the bid from Health Advocates was $90,000 higher than the other qualified bidder, Health Advocates had a higher score, and thus was awarded the contract. In contract negotiations with Health Advocates, the Department was successful in securing a reduction equivalent to $90,000 in the contract rate for the services.

(415) 554-2600 101 Grove Street San Francisco, CA 94102

Attachment II

Uncompensated Care (Revenue) Recovery Services Contract

Vendor: Health Advocates		# Months	Annual Est. Revenue	Monthly Revenue	22-Month Est. Revenue
Contingency Fee		22	$5,800,000	$483,333	$10,633,333
20%	$0 through $1,999,999		$400,000		
18%	$2,000,000 through $2,999,000		$180,000		
16%	$3,000,000 and above		$448,000		
	Estimated Contingency Fee		$1,028,000	$85,667	$1,884,667
				Total Net Revenue to City	$8,748,667
				% of Total Estimated Revenue	17.72%

Item 3 - File 01-0053

Department: Department of Public Health (DPH)
Department of Administrative Services (DAS) - Real Estate Division (RED)

Item: Resolution authorizing and approving a new lease between the City and County of San Francisco, for the Department of Public Health, as Lessee, and Seto Family Trust, as Lessor, for space located at 1421 Broderick Street.

Location: 1421 Broderick Street

Purpose of Lease: Residential care facility for approximately 34 individuals who need 24-hour care and supervision.

Lessor: Seto Family Trust

Lessee: The City and County of San Francisco on behalf of the DPH.

No. of Sq. Ft. and Cost Per Month: The approximate 12,417 square feet of rentable square area at a monthly rental rate of $10,000 per month (approximately $0.81 per square foot per month). On an annual basis, rent would total $120,000 (approximately $9.66 per square foot per year) during Year One of the subject lease. Under the subject lease agreement, on each anniversary of the 10 year lease, the rental rate would increase by the percentage increase in the Consumer Price Index (CPI) for the San Francisco Metropolitan Area, provided that the percentage increase shall not be less 2 percent or more than 6 percent.

Annual Cost: $120,000 in Year One of the subject lease agreement. Annual rental costs in subsequent years would be subject to the annual rent adjustment formula as explained above.

Utilities and Janitorial Service: Provided by a DPH contractor at an estimated annual cost to DPH of $122,000.

Term of Lease: Approximately ten years, upon approval of subject lease by the Board of Supervisors to January 31, 2011.

Right of Renewal: One option to extend the lease for an additional ten years with the terms and conditions of the lease subject to negotiations between the City and the Landlord. If the City chooses to exercise the option, the City must give written notice to the Landlord no later than 120 days prior to the expiration of the initial term. All such renewals are subject to appropriation approval of the Board of Supervisors.

Source of Funds: According to Mr. Marc Trotz from the DPH, approximately $458,434 in General Fund monies has been budgeted in FY 2000-2001 for the start-up and operation costs, including rent, utilities, janitorial services and contractual services for the residential care facility to be located at 1421 Broderick Street. In future years, Mr. Trotz advises that the rent, and other operating costs associated with the proposed residential care facility would be funded from (1) the annual DPH General Fund monies budgeted for housing services (estimated at $844,000 for FY 2001-2002), (2) revenue budgeted from Medi-Cal reimbursement (estimated at $156,000 for FY 2001-2002), and (3) budgeted revenue from Supplemental Security Income reimbursement for patient services (estimated at $200,000 for FY 2001-2002) for total estimated costs of $1,200,000. The lease contains standard language stating that it will be terminated in 180 days in the event of non-appropriation of funds by the Board of Supervisors.

Description: The subject master lease would permit the DPH to lease 12,417 square feet of 1421 Broderick Street for approximately ten years in order to operate the Broderick Street Residential Care Facility to provide residential care for approximately 34 individuals who need 24-hour care and supervision. According to Mr. Trotz, the proposed Broderick Street Residential Care Facility would serve (a) individuals who are cognitively impaired and/or mentally ill; (b) individuals with mobility impairments and medical conditions who need 24-hour care; and, (c) individuals with primary medical conditions, including HIV/AIDS clients. Mr. Trotz states that the DPH will particularly target individuals who are currently in the

DPH system in need of such care. According to Mr. Trotz, the proposed facility would be operated through a new contract with the Page Street Guest House, a nonprofit organization (see Comment 2).

Comments:

1. The Seto Family Trust operated a Skilled Nursing Home until July of 2000 at 1421 Broderick Street. According to Mr. Trotz, there are 16 shared bedrooms and 2 private bedrooms, 12 bathrooms for resident use, sufficient office space, a staff lunge, an activities room, a dining room, a full kitchen and a small parking area. Mr. Trotz states that the DPH proposes to lease the entire building, including all of the furniture, fixtures and equipment (see Comment 6). According to Mr. Trotz, the subject building is in excellent condition with new boilers, security and alarm systems, is ADA (Americans with Disabilities Act) compliant and has a commercial grade kitchen. Mr. Trotz advises that there are no scheduled improvements for the residential care facility given its current excellent condition and configuration for use as a skilled nursing facility. DPH clients would move into 1421 Broderick Street as soon as (1) the subject lease is approved by the Board of Supervisors, (2) the Health Commission approves the residential care service contract for the residential care facility (see Comment 3 below) and (3) the State of California issues the appropriate license to operate the facility.

2. Mr. Trotz advises that the DPH plans to enter into a contract with a nonprofit agency, Page Street Guest House, at an estimated annual cost of $1,080,000 (See Comment 4) for the following services:

- Medication monitoring, medical support, psychosocial services, substance abuse treatment, housekeeping, meals, and transportation to doctor appointments.
- Professional property management, which would include program fee collection, accounts payable maintenance, janitorial and security services and other provisions needed to maintain a clean, safe and healthy environment

Mr. Trotz advises that approximately 24 of the estimated 34 patients will be SSI eligible and DPH would be reimbursed at $750/month each ($9,000 annually per

patient) and the remaining approximately 10 patients would be funded from the DPH General Fund monies. The fees for services to be reimbursed by SSI funds are estimated to be between $200,000 to $216,000 per year ($9,000 x 24 patients). Mr. Trotz states that Medi-Cal reimbursements are generated through specific medical and psychiatric services provided on site. Mr. Trotz estimates the annual Medi-Cal reimbursements would be approximately $156,000 for FY 2001-2002.

3. The contract was awarded to Page Street Guest House, a nonprofit organization, to provide the services mentioned in Comment 2 above, at the residential care facility based on a Request for Qualifications Process. Page Street Guest House will subcontract with Richmond Area MultiServices (RAMS) in the amount of $140,000 to provide psychosocial services, counseling, mental health services and activities coordination. Mr. Trotz advises that in the Request for Qualification Process, the DPH received two proposals, one from Page Street Guest House at a cost of $1,555,000 and another from the Chun and Carter Residential Care Facility for $556,000. Mr. Trotz notes that the Chun and Carter Residential Care Facility's proposal was incomplete and did not meet all service requirements specified in the Request for Qualifications. Mr. Trotz further advises that the DPH has not previously contracted with Page Street Guest House, but notes that Page Street Guest House has operated a residential care facility on Page Street in San Francisco for approximately 20 to 30 years. Mr. Trotz advises that a technical review panel consisting of the DPH staff and community members determined that Page Street Guest House had the appropriate qualifications and experience to run the residential care program at 1421 Broderick Street. According to Mr. Trotz, the DPH is currently negotiating the specifics of the annual costs of the contract with Page Street Guest House and should bring the contract before the Health Commission in February.

4. According to Mr. Trotz, the estimated final negotiated contract costs with the Page Street Guest House would be in the amount of $1,080,000 per year instead of the previously proposed $1,555,000 per year. Of the estimated annual costs of $1,080,000 approximately $765,600 would be expended on staffing costs, and approximately

$314,400 would be expended on operational costs. The staffing costs are as follows:

Expenditure Item	Estimated Cost
Program Director (1 FTE)	$50,000
Medical Director (0.2 FTE)	25,000
Activities Coordinator	35,000
Social Worker (1 FTE)	45,000
Case Managers (2 FTE)	70,000
Nurse (2 FTE)	60,000
Cook (2 FTE)	60,000
Dishwasher (1 FTE)	30,000
Janitor/Maintenance (2 FTE)	52,000
Receptionist (4.2 FTE)	126,000
Housekeepers (3 FTE)	85,000
Benefits (20%)	127,600
TOTAL	$765,600

According to Mr. Trotz, the staffing costs above include personnel funded under the RAMS subcontract costs. The RAMS subcontract is for approximately $140,000 which includes the cost of 1 FTE Social Worker, 1 FTE Case Manager and 1 FTE Program/Activities Coordinator plus their benefits.

Mr. Trotz estimates the annual operational costs would be $314,400 as follows:

Expenditure Item	Estimated Cost
Property Taxes	$8,000
Insurance	10,000
Maintenance Services/Repairs	50,000
Supplies (including food)	100,000
Equipment, printing, post	56,400
Laundry	10,000
Utilities	70,000
Program Expenses	10,000
TOTAL	$314,400

Mr. Trotz states that these cost estimates were based on (a) the operating costs incurred by the Seto Family Trust while operating a Skilled Nursing Facility at 1421 Broderick Street; and, (b) estimates from Page Street

Guest House on operation costs for residential care facilities.

5. According to Mr. Trotz, the total estimated costs and revenue sources for the residential care facility for FY 2000-2001 and for FY 2001-2002 would be as follows:

Costs:

	FY 2000-2001	FY 2001-2002
Annual Rent	$50,000*	$120,000
Service Contract	127,600	765,600
Operations	130,834	314,400
Start-up Costs	150,000	0
Total	**$458,434**	**$1,200,000**

* 5 months from February 1, 2001 through June 30, 2001.

Revenue Sources:

	FY 2000-2001	FY 2001-2002
DPH General Fund	$458,434	$844,000
SSI Reimbursements	0	200,000
Medi-Cal	0	156,000
Total	**$458,434**	**$1,200,000**

Mr. Trotz states that the DPH did not specifically budget revenue from SSI and Medi-Cal for FY 2000-2001 because the DPH was unsure exactly how many patients would be at the residential care facility by the end of FY 2000-2001. Therefore, any SSI and/or Medi-Cal reimbursements received would be additional revenue to the DPH for FY 2000-2001, enabling the DPH to reduce its net General Fund support.

As noted in the table above, Mr. Trotz estimates that the annual total costs would be approximately $1,200,000. Therefore, the unit costs per patient per year would be approximately $35,294 ($1,200,000 ÷ 34 patients) and the cost per patient per day would be approximately $97 ($35,294 ÷ 365 days in a year).

Clients for the proposed residential care facility at 1421 Broderick Street would be transferred from DPH referral points including San Francisco General Hospital, Laguna Honda Hospital and the City's Mental Health Rehabilitation Facility. Mr. Trotz states that it costs between $250 and $800 per day per person to care for

patients in the above-mentioned DPH facilities, compared to the daily per person cost of approximately $97 for the Broderick Street facility. Moving such patients to the residential care facility at 1421 Broderick allows the DPH to provide a more appropriate level of care for those individuals who would otherwise get more expensive care at Laguna Honda Hospital and San Francisco General Hospital. Doing so would make beds available at Laguna Honda Hospital and San Francisco General Hospital for patients who need a higher level of care. Any potential savings to be achieved under the proposed program such as through expenditure reductions at Laguna Honda Hospital and San Francisco General Hospital will be subject to future budget policy decisions.

6. Mr. Trotz advises that the furniture, fixtures and equipment are being provided by the Lessor at an estimated value of approximately $50,000.

7. Mr. Trotz states that the proposed lease agreement contains a termination clause (Section 3.5) which permits the City to terminate the lease for any reason upon 180 days prior written notice. This would permit the City to terminate the lease in six months in the event of non-appropriation of the necessary funding by the Board of Supervisors.

8. Ms. Jean Medlar from the Real Estate Division reports that the proposed rental rate of $0.81 per square foot per month represents fair market value.

9. Page two, line five of the proposed resolution incorrectly states that the base rent is <u>$0.67</u> per square foot per month when it should state that the base rent is <u>$0.81</u> per square foot per month. Therefore, the proposed resolution should be amended to revise the base rent amount to $0.81 per square foot per month.

Recommendations:

1. Amend the proposed resolution to correct an error on page two, line five, of the proposed resolution, which states, "Base Rent - $0.67 per square foot per month" to read, "Base Rent - $0.81 per square foot per month," in accordance with Comment 9 above.

2. Approve the proposed resolution, as amended.

<u>BOARD OF SUPERVISORS</u>
BUDGET ANALYST

Item 4 – File 01-0104

Department: Human Resources Department (HRD)
Fire Department

Item: Resolution authorizing settlement of the grievance filed by Glenn Alston and the International Federation of Professional and Technical Engineers, Local 21, AFL-CIO ("Local 21"), on behalf of 16 civilian Classification 6281 Fire Safety Inspectors in the Fire Department pursuant to the Memoranda of Understand between Local 21 and the City and County of San Francisco, in the aggregate amount of $80,080.48.

Settlement Amount: $81,625.52 (see Comment No. 1 below)

Source of Funds: According to Ms. Pamela Levin of the Office of the Controller, the grievance settlement monies would be funded from the Fire Department's existing FY 2000-01 budget.

Description: The proposed resolution would authorize the Human Resources Director to settle a grievance filed by Mr. Glenn Alston and Local 21 against the City. Mr. Alston is a Fire Department employee in the civilian Classification 6281 Fire Safety Inspector. This grievance was filed by Mr. Alston and Local 21 on behalf of the 16 civilian Classification 6281 Fire Safety Inspectors in the Fire Department who did not receive additional specialized training to perform "life-safety testing", or fire alarm testing required by the Department of Building Inspection, which had been received by uniformed H-4 Inspectors in the Fire Department. As a result of receiving such specialized training, the uniformed H-4 Inspectors were eligible to work additional overtime hours.

According to the grievance filed by Local 21, the 16 employees alleged that the Fire Department violated Section 123(a) of the three-year Memorandum of Understanding (MOU) between the City and Local 21 previously approved by the Board of Supervisors for Fiscal Years 1998-99 through 2000-01. The basis for the Local 21 grievance is that by not providing civilian 6281

Fire Safety Inspectors with the opportunity to receive the same additional specialized training given to uniformed H-4 Inspectors, the Fire Department effectively denied the civilian 6281 Fire Safety Inspectors the opportunity to work on an overtime basis and to receive such overtime pay in an amount equivalent to the uniformed H-4 Inspectors.

According to Ms. Alice Villagomez of HRD, since Section 123(a) of the previously approved MOU states that the civilian 6281 Fire Safety Inspectors shall receive parity for overtime with the uniformed H-4 Inspectors, the grievance claim is justified.

The grievance proceeded to arbitration in April of 2000 but the Arbitrator recommended that the City and Local 21 negotiate a settlement in lieu of a third party award determined by the Arbitrator. The resulting settlement negotiated between the City and Local 21 would, if approved by the Board of Supervisors, authorize the City to pay overtime wages retroactive for the approximately 21.5 month period from July 1, 1998 through April 19, 2000 in the total amount of $81,625.52, as follows:

- $5,115.39 for each of 14 employees who filed the grievance, for a total of $71,615.46.
- $5,005.03 for each of two employees[1] who filed the grievance, for a total of $10,010.06.

The calculation of the above amounts is based on the information contained in the Attachment provided by HRD. Mr. Gran states that the July 1, 1998 date is based on the filing date of the grievance[2], and the April 19, 2000 date is based on the arbitration hearing date.

Comments:

1. In reviewing the calculations for the proposed settlement amount, the Budget Analyst found that the total amount had been understated by $1,545.05, resulting in a correct total settlement payable by the City

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[1] According to Ms. Mary Hao of HRD, two of the 16 civilian 6281 Fire Safety Inspectors received a slightly lower amount because they did not qualify for the longevity and educational bonuses for which the other 14 employees were qualified to receive.

[2] Mr. Gran advises that the grievance was filed on July 28, 1998, but that under the MOU, the claim can extend retrospectively for up to 20 working days prior to the date that the claim is actually filed.

of $81,625.52, instead of the amount of $80,080.48 as contained in the proposed resolution. Mr. Martin Gran of the City Attorney's Office concurs with the Budget Analyst's calculation.

2. Mr. Gran concurs with Ms. Villagomez's statement that the proposed settlement agreement is justified because the MOU, as previously approved by the Board of Supervisors, provides for parity in overtime between the civilian 6281 Fire Safety Inspectors and the uniformed H-4 Inspectors. Furthermore, Mr. Gran advises that the City prefers the narrowly tailored negotiated settlement to a final and binding third party award, as would have been issued by the Arbitrator if the parties had failed to negotiate the proposed settlement agreement, because (a) such an award could potentially affect other wage and benefits issues beyond the specific life-safety testing training parity issue raised in the grievance, and (b) the City would have been required to accept the Arbitrator's award amount which could have been greater than the proposed settlement amount.

3. According to Ms. Mary Hao of HRD, as required by the proposed settlement agreement, the Fire Department has trained all 16 civilian 6281 Fire Safety Inspectors in fire alarm testing and now all 16 employees are certified to work on fire alarm testing required by the Department of Building Inspection, and are therefore eligible to receive pay for future overtime work on such responsibilities.

4. Under the proposed settlement agreement, the 16 civilian employees would expressly waive any right to recover any of their legal expenses.

Recommendations:

1. Increase the aggregate amount of $80,080.48, as contained in the proposed resolution, by $1,545.05 to $81,625.52 to reflect the correct settlement amount calculation, in accordance with Comment No. 1 above.

2. Approval of the proposed resolution, as amended, is a policy matter for the Board of Supervisors.

<u>BOARD OF SUPERVISORS</u>
BUDGET ANALYST

Harvey M. Rose

Supervisor Leno
Supervisor Peskin
Supervisor Gonzalez
Clerk of the Board
Controller
Steve Kawa

City and County of San Francisco

Department of Human Resources

ANDREA R. GOURDINE
HUMAN RESOURCES DIRECTOR

December 11, 2000

To: Andrea Gourdine
Director, Department of Human Resources

Geoff Rothman
Director, Employee Relations Division
Department of Human Resources

From: Mary Hao
Employee Relations Representative

RE: Glenn Alston, et al (Fire Safety Inspectors) Grievance
ERD Reference No. 31-99-0326

Attached for your signature is the Settlement Agreement for the above-referenced matter.

This grievance dealt with overtime parity as provided in Local 21 MOU Section 123(a). Pursuant to this section, the Class 6281 Fire Safety Inspectors (represented by Local 21) are guaranteed overtime parity with the H-4 Inspector class (represented by Local 798), except to the extent that overtime assignments require fire suppression skills that the Class 6281 Fire Safety Inspectors do not have. Fire Safety Inspectors are not sworn, uniformed personnel, as they have not have gone through the fire academy like the H-4s; however, the life safety testing overtime assignment does not require any fire suppression skills and yet the Fire Safety Inspectors were denied this overtime assignment for many years. This grievance was filed over two years ago, and therefore back pay goes back for that time. The class of grievants affected was sixteen (16) Class 6281 Fire Safety Inspectors.

During the April 19, 2000 arbitration hearing, the parties agreed to settle this matter. The Union and the Department agreed that the Department would pay the sixteen (16) Class 6281 Fire Safety Inspectors 38%[1] of the total life safety overtime assignments (in hours) earned by the H-4 classification between July 1, 1998 and April 19, 2000. Once the 38% figure was applied, the overtime rate applicable to the Fire Safety Inspectors was then computed. The total value of the Fire Safety Inspectors overtime rate times

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[1] 38% represents the percentage that fire safety inspectors are of the total number of uniformed and civilian inspectors. Class 6281 Fire Safety Inspectors actually represent 42% of the total number of uniformed and civilian inspectors; however after further discussions, the parties agreed to use 38% instead.

their 38% of the total Life Safety overtime hours worked was then distributed equally among the sixteen affected inspectors. Two of the sixteen inspectors received a slightly lesser amount because they did not qualify for the longevity and the educational bonus (3% of overtime.) To recap, the formula used is as follows:

"Total number of Life Safety overtime hours between July 1, 1998 and April 19, 2000
Times
38% (the percentage that Fire Safety Inspectors are of the total number of uniformed and civilian inspectors)
Times
overtime rate applicable to Fire Safety Inspectors
Divided by
16"

Then Chief of Department Demmons and Bureau of Fire Inspection Chief Massetani approved of this calculation. The total cost of this settlement is $81,625.52.

Please do not hesitate to contact me at x4981 if you have any questions. Thank you for your prompt attention to this matter.

City and County of San Francisco
Meeting Minutes
Finance Committee

Members: Supervisors Mark Leno, Aaron Peskin and Matt Gonzalez

Clerk: Gail Johnson

Wednesday, February 07, 2001 | **10:00 AM** | **City Hall, Room 263**

Regular Meeting

Members Present: Mark Leno, Aaron Peskin, Matt Gonzalez.

MEETING CONVENED

The meeting convened at 10:06 a.m.

002053 **[Golden Gate/Neighborhood Park Bond Award]**
Supervisor Newsom

Motion awarding Bonds and fixing definitive interest rates for $17,060,000 General Obligation Bonds (Golden Gate Park Improvements, 1992) and Series 2000E; $14,060,000 General Obligation Bonds (Neighborhood Recreation and Park Facilities Improvement Bonds, 2000) Series 2000F. (Mayor)

11/15/00, RECEIVED AND ASSIGNED to Finance and Labor Committee.

2/1/01, TRANSFERRED to Finance Committee. New committee structure.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Karen Ribble, Bond Associate, Mayor's Office of Public Finance.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE.

Motion awarding Bonds and fixing definitive interest rates for $17,060,000 General Obligation Bonds (Golden Gate Park Improvements, 1992) and Series 2001A; $14,060,000 General Obligation Bonds (Neighborhood Recreation and Park Facilities Improvement Bonds, 2000) Series 2001B. (Mayor)

AWARDED by the following vote:

Ayes: 3 - Leno, Peskin, Gonzalez

010039 **[Airport Lease Agreement Modification for United Airlines, Inc.]**

Resolution approving Lease Modification Number Three for Lease No. 73-0066 between United Airlines, Inc. and the City and County of San Francisco, acting by and through its Airport Commission. (Airport Commission)

1/2/01, RECEIVED AND ASSIGNED to Finance and Labor Committee.

2/1/01, TRANSFERRED to Finance Committee. New committee structure.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; John Martin, Airport Director; Theodore Lakey, Deputy City Attorney; Gary Franzella, Assistant Deputy Airport Director, Aviation Management, Airport.
Continued to February 21, 2001.

CONTINUED by the following vote:

Ayes: 3 - Leno, Peskin, Gonzalez

010052 [Airport Lease Agreement for Plot 6 to United Airlines, Inc.]

Resolution approving lease agreement for Plot 6 between United Airlines, Inc. and the City and County of San Francisco, acting by and through its Airport Commission. (Airport Commission)

1/10/01, RECEIVED AND ASSIGNED to Finance and Labor Committee.

2/1/01, TRANSFERRED to Finance Committee. New committee structure.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; John Martin, Airport Director; Theodore Lakey, Deputy City Attorney.
Continued to February 21, 2001.

CONTINUED by the following vote:

Ayes: 3 - Leno, Peskin, Gonzalez

010047 [Law Enforcement Training]

Resolution authorizing the Chief of Police to execute an agreement with the State of California to obtain funding in the amount of One Hundred Three Thousand Three Hundred Fifty Eight Dollars ($103,358) for obtaining training equipment. (Police Department)

1/8/01, RECEIVED AND ASSIGNED to Housing and Social Policy Committee.

2/1/01, TRANSFERRED to Finance Committee. New committee structure.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Lieutenant Richard Parry, Police Department.

RECOMMENDED.. by the following vote:

Ayes: 3 - Leno, Peskin, Gonzalez

002187 [Contract between the Dept. of Public Health and Health Advocates, LLP to provide uncompensated care recovery services]

Resolution authorizing the Director of Public Health and the Purchaser to execute a contract between the City and County of San Francisco and Health Advocates, LLP to provide uncompensated care recovery services. (Public Health Department)

12/13/00, RECEIVED AND ASSIGNED to Public Health and Environment Committee.

12/28/00, TRANSFERRED to Finance and Labor Committee. At the request of the President, this matter is to be scheduled for the January 10, 2001 meeting.

1/17/01, CONTINUED. Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Monique Zmuda, Chief Financial Officer, Department of Public Health; Steve Reid, President, Paralign; Diane Sovereign (attorney); Linda Safir, Director of Sales, Paralign; Karla Fine, Manager, Paralign; Fanny Mayorga, Paralign; Juan Sosa, Paralign; Helen Lim, Paralign; Robert McCarthy (registered to speak for Paralign); Al Leibovic, Health Advocates; Theodore Lakey, Deputy City Attorney; Edward Harrington, Controller.
Continued to January 31, 2001.

1/31/01, CONTINUED. Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Monique Zmuda, Chief Financial Officer, Department of Public Health.
Continued to February 7, 2001.

2/1/01, TRANSFERRED to Finance Committee. New committee structure.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Monique Zmuda, Chief Financial Officer, Department of Public Health; Virginia Harmon, Interim Director, Human Rights Commission; Diana Rivera, Head of Patient Accounting, San Francisco General Hospital, Department of Public Health; Cheryl Bregman, Deputy City Attorney; Steve Reid, President, Paralign; Al Leibovic, Managing Partner, Health Advocates; Linda Safir, Director of Sales, Paralign; Karla Fine, Manager, Paralign; Jose Martinez, Account Director, Paralign; Fanny Mayorga, Supervisor, Paralign; Luvi Bone, Paralign; Beatrice Gonzalez, Paralign; Patricia Putynkowski, Paralign; Juan Sosa, Paralign; Rafael Arteagia, Paralign; Helen Lim, Paralign; Diane Sovereign, Attorney, representing Paralign; Lock Holmes, Attorney, representing Paralign; Robert McCarthy, representing Paralign.

CONTINUED TO CALL OF THE CHAIR by the following vote:

Ayes: 3 - Leno, Peskin, Gonzalez

010112 **[Reserved Funds, Workers' Compensation]**

Hearing to consider release of reserved workers' compensation funds (2000-2001 budget) for eight (8) departments - Fire, Police, Public Health, Human Services, Sheriff, Parking and Traffic, Juvenile Court, and Recreation and Park in the amount of $9,410,038 to cover expenditures for the remainder of the current fiscal year. (Human Resources Department)

1/19/01, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Edward Harrington, Controller; Minh Vu, Deputy Director, Workers Compensation Division, Department of Human Resources.
Release of reserved funds in the amount of $9,410,038 approved.

APPROVED AND FILED by the following vote:

Ayes: 2 - Leno, Peskin
Absent: 1 - Gonzalez

010150 **[Final Negative Declaration, Jobs-Housing Linkage Ordinance]**

Resolution adopting Final Negative Declaration, finding and determining that the Jobs-Housing Linkage Ordinance will have no significant impact on the environment, and adopting and incorporating findings of Final Negative Declaration. (Planning Department)

(Final Negative Declaration adopted and issued on April 27, 1999.)

1/24/01, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Supervisor Ammiano; Harvey Rose, Budget Analyst; Gerald Green, Director of Planning; Marcia Rosen, Mayor's Office of Housing; Calvin Welch, Council of Community Housing; Jim Chappell, President, SPUR; Jose Wheelock; Theodore Lakey, Deputy City Attorney.

RECOMMENDED by the following vote:

Ayes: 3 - Leno, Peskin, Gonzalez

000276 **[Planning Code amendment to rename "Office Affordable Housing Production Program" as the "Jobs-Housing Linkage Program" and to apply the program to hotel, entertainment, and retail space according to square footage]**

Supervisors Ammiano, Bierman

Ordinance amending Article III, Chapter II, Part II of the San Francisco Municipal Code (Planning Code) by amending Sections 313, 313.1, 313.2, 313.3, 313.4, 313.5, 313.6, 313.7, 313.8, 313.9, 313.10, 313.11, 313.12, 313.13, and 313.14, to rename the "Office Affordable Housing Production Program" as the "Jobs-Housing Linkage Program," to apply the program to all new and expanded hotel space of at least 25,000 square feet, to all new and expanded entertainment space of at least 25,000 square feet, to all new and expanded retail space of at least 25,000 square feet, and to all new and expanded research and development space of at least 25,000 square feet; to set forth the number of housing units to be constructed for each type of development subject to this Ordinance; to increase the number of housing units and fees for office developments; and by adding Section 313.15 to require a study every five years determining the demand for housing created by commercial development.

2/9/00, PREPARED IN COMMITTEE AS AN ORDINANCE. Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Julian Low, Supervisor Katz's Aide; Gerald Green, Director of Planning; Supervisor Bierman; Supervisor Ammiano; Ted Lakey, Deputy City Attorney; Calvin Welch; Jim Gonzalez, Information Technology Coalition; Marie Jones, S.F. Partnership, Robert McCarthy; Chris Moore. To be referred to City Planning for review and comments.

2/9/00, CONTINUED TO CALL OF THE CHAIR. 2/15/00, Referred to City Planning Commission. 3/22/00, From City Planning, will not be able to hear this item until May 15.

5/10/00, AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE. Heard in Committee. Speakers Supervisor Ammiano; Calvin Welch, Council of Community Housing; Sue Hestor; Chris Daly, Mission Agenda. Beryl Magilavy; Joyce Miller; Marie Jones, S. F. Partnership; Cathy Brandhorst. Referred to City Planning Commission.

5/10/00, CONTINUED AS AMENDED. Continued to call of the chair.

6/5/00, SUBSTITUTED. SupervisorAmmiano submitted a substitute ordinance bearing new title.

6/5/00, ASSIGNED to Finance and Labor Committee. Transmitted to Planning Commission for public hearing and recommendation.

10/16/00, SUBSTITUTED. Supervisor Ammiano submitted a substitute ordinance bearing new title.
Transmitted to Planning Commission for public hearing and recommendation.

10/16/00, ASSIGNED to Finance and Labor Committee.

2/1/01, TRANSFERRED to Finance Committee. New Committee Structure.

Heard in Committee. Speakers: Supervisor Ammiano; Harvey Rose, Budget Analyst; Gerald Green, Director of Planning; Marcia Rosen, Mayor's Office of Housing; Calvin Welch, Council of Community Housing; Jim Chappell, President, SPUR; Jose Wheelock; Theodore Lakey, Deputy City Attorney.
Supervisor Ammiano presented an Amendment of the Whole containing technical amendments.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE.

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Leno, Peskin, Gonzalez

010149 **[Jobs-Housing Linkage Program]**

Ordinance amending Article III, Chapter II, Part II of the San Francisco Municipal Code (Planning Code) by amending Sections 313, 313.1, 313.2, 313.3, 313.4, 313.5, 313.6, 313.7, 313.8, 313.9, 313.10, 313.11, 313.12, 313.13, and 313.14, to rename the "Office Affordable Housing Production Program" as the "Jobs-Housing Linkage Program," to apply the program to all new and expanded hotel space of at least 25,000 square feet, to all new and expanded entertainment space of at least 50,000 square feet, and to all other new and expanded retail space of at least 100,000 square feet; to set forth the number of housing units to be constructed for each type of development subject to this ordinance; to set forth fees for each type of development subject to this ordinance; to increase the number of housing units and fees for office developments; and by adding Section 313.15, to require a study every five years determining the demand for housing created by commercial development. (Planning Department)

(Planning Resolution No. 16044 adopted December 7, 2000 recommending the proposed amendment to the City Planning Code; Planning File No. 1999.178T.)
(Companion measure to File 010150.)

1/24/01, RECEIVED AND ASSIGNED to Finance Committee. Board President requests this item be calendard at the February 7, 2001 meeting

Heard in Committee. Speakers: Supervisor Ammiano; Harvey Rose, Budget Analyst; Gerald Green, Director of Planning; Marcia Rosen, Mayor's Office of Housing; Calvin Welch, Council of Community Housing; Jim Chappell, President, SPUR; Jose Wheelock; Theodore Lakey, Deputy City Attorney.

TABLED by the following vote:

Ayes: 3 - Leno, Peskin, Gonzalez

ADJOURNMENT

The meeting adjourned at 1:32 p.m.

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

February 1, 2001

TO: Finance Committee

FROM: Budget Analyst

SUBJECT: February 7, 2001 Finance Committee Meeting

Item 1 - File 00-2053

Department: Mayor's Office of Public Finance

Item: Motion awarding bonds and fixing definitive interest rates for $17,060,000 General Obligation Bonds (Golden Gate Park Improvements, 1992), Series 2001A; $14,060,000 General Obligation Bonds (Neighborhood Recreation and Park Facilities Improvement Bonds, 2000), Series 2001B.

Description: On October 10, 2000, the Board of Supervisors approved a resolution authorizing and directing the sale of up to $17,060,000 in General Obligation Bonds (File No. 00-1613, Golden Gate Park Improvements, 1992) to fund the construction and/or reconstruction of Golden Gate Park's utilities and infrastructure. Additionally, on October 10, 2000, the Board of Supervisors approved a separate resolution authorizing and directing the sale of up to $14,060,000 in additional General Obligation Bonds (File No. 00-1612, Neighborhood Recreation and Park Facilities Improvement Bonds, 2000) to provide for the acquisition, construction and/or reconstruction of neighborhood recreation and park facilities and properties.

Comments:

1. Ms. Karen Ribble of the Mayor's Office of Public Finance advises that the bids for the proposed sale of $31,120,000 in General Obligation bonds are scheduled to be opened at 8:00 a.m. on February 7, 2001. According to Ms. Ribble, unless all of the bids are rejected, the Finance Committee will be asked to award the bonds to the bidder whose bid represents the lowest true interest cost to the City. Ms. Ribble reports that the Mayor's Office of Public Finance will submit an Amendment of the Whole to the Finance Committee's scheduled meeting at 10:00 a.m. on February 7, 2001, which will list the winning bidder, the other bidders and the interest rate that each bidder offered to the City. Additionally, at the February 7, 2001, Finance Committee meeting, the Mayor's Office of Public Finance will provide the debt service payment schedule, including the bond maturity dates, principal amounts and interest rates.

2. The expenditure of bond proceeds will be subject to appropriation approval by the Mayor and the Board of Supervisors. According to Ms. Ribble, a supplemental appropriation for expenditure of such bond proceeds is expected to be submitted to the Board of Supervisors in mid-February of 2001.

Recommendation:

Approve a motion awarding the subject bonds to the low bidder, which represents the lowest true interest cost to the City.

Item 2 – File 01-0039

Department: Airport

Item: Resolution approving Lease Modification No. 3 for Lease No. 73-0066 between United Airlines, Inc. and the City, acting by and through its Airport Commission.

Lessor: City and County of San Francisco

Lessee: United Airlines, Inc.

Term of Lease: The subject lease was first approved in 1973 for an initial 20-year term, to expire in 1993, with two 10-year options at the discretion of the lessee.

Right of Renewal: As noted above, the 20-year lease provided for two 10-year extensions at the discretion of the lessee, for a total lease period of up to 40 years. In 1993, United Airlines exercised its first 10-year extension, which is due to expire in 2003.

Description: On December 5, 2000 the Airport Commission approved Modification No. 3 of Lease 73-0066 between the Airport and United Airlines, Inc. Under lease 73-0066, United Airlines currently occupies 129.75 acres of land used by United Airlines for employee parking and its Maintenance Operations Center (MOC) for aircraft maintenance. The subject lease was originally approved in 1973 for an initial term of 20 years, with two 10-year extension options at the discretion of the lessee. According to Ms. Dorothy Schimke of the Airport, in 1993 United Airlines exercised its first ten-year option, which is due to expire on June 30, 2003. The property leased by United Airlines is located at the intersection of San Bruno Avenue and the Bayshore Freeway.

The Airport is currently developing a Multi-Modal Transportation Center, which includes, among other elements, expansion of short-term Parking Lot DD, which is adjacent to the property leased by United Airlines, and the extension of the AirTrain (the Airport light rail system) to the Multi-Modal Transportation Center and Parking Lot DD (see Attachment, provided by the Airport, for a description of these projects). According to Ms. Schimke, Parking Lot DD currently consists of Airport employee and

Airport tenant employee parking. Ms. Schimke advises that Parking Lot DD will be expanded and initially used for additional employee parking, and upon completion of the Multi-Modal Transportation Center, the expanded portion of Parking Lot DD would be converted for long-term public parking. Ms. Schimke advises that in order for the Airport to complete such an expansion, the Airport needs access to Parking Lot DD through a portion of the property currently leased by United Airlines. Under the proposed Modification No. 3 to Lease 73-0066, United Airlines has agreed to relinquish to the Airport 0.74 acres of property. In return, the Airport has agreed to provide United Airlines with additional space of up to 2.61 acres for employee parking, as discussed below.

The proposed transfer of acreage under the subject lease Modification No. 3 would take place in the two following phases:

(1) Ms. Schimke reports that on December 1, 2000, United Airlines relinquished 0.74 of its total 129.75 in leased property back to the Airport, leaving 129.01 acres under the subject lease with United Airlines (see Comment No. 2).

(2) In exchange for relinquishing the 0.74 acres discussed above, the Airport agreed to provide United with 150 additional parking spaces for United Airlines employees that will be added to the lease at a future date, totaling a maximum of 2.61 acres. However, Ms. Schimke advises that the amended lease with the Airport will not include the additional acreage until the Airport completes the Multi-Modal Transportation Center and the AirTrain, in approximately four to six years, as explained in the Attachment to this report. During the interim period, between the time that United Airlines relinquished 0.74 acres of space on December 1, 2000 and the completion of the Multi-Modal Transportation Center and the AirTrain Extension, the Airport has granted United Airlines a month-to-month permit, effective December 1, 2000, for approximately 2.61 acres to accommodate the additional employee parking. Because the guideway for the AirTrain will require use of part of the 2.61 acres, the Airport will not be able to determine the exact amount of additional space that will

be added to the existing lease until the Multi-Modal Transportation Center and the AirTrain are completed. Therefore, proposed lease Modification No. 3 states that the Airport and United Airlines agree to expand the existing lease "after the Multi-Modal Transportation Center and the AirTrain Extension are completely designed and constructed...without the requirement of formal amendment to the Lease or the approval of any party...as to the dimensions and configuration of such space."

Rent paid by United Airlines to the Airport:

Rent for the additional space to be charged by the Airport to United Airlines will be at the same rate of $35,879.50 per acre charged for the existing lease, both when the space is under permit and after it is added to the lease. The rate of $35,879.50 first became effective in 1998, according to Ms. Schimke.

Ms. Schimke advises that when the first 10-year lease extension with United Airlines was negotiated in 1993, United Airlines and the Airport agreed to an annual rent of $32,617.73 per acre for the first five years of the 10-year extension, with one increase of $3,261.77 to an annual rent of $35,879.50, effective July 1, 1998, for the remaining five years of the 10-year extension, expiring on June 30, 2003. Therefore, during the first 10-year extension between 1993 and 2003, the rent charged to United Airlines will have increased by only approximately 10 percent, or by approximately an average of one percent per year.

Under the proposed lease Modification No. 3, the exchange in space would result in a maximum net increase of 1.87 acres used by United Airlines in this location (the 2.61 acres in new parking for United Airlines employees, less the 0.74 acres relinquished back from United Airlines to the Airport).

Permit:

According to Ms. Schimke, the month-to-month permit granted to United Airlines for the 2.61 acres allows the Airport to modify or terminate the permit with 30-days notice. Ms. Schimke advises that since the Airport must use portions of the 2.61 acres under permit to United Airlines for construction of the AirTrain extension, the Airport will

reduce the number of acres provided to United Airlines under permit as needed.

Compliance with City Laws:

In addition, the proposed lease Modification No. 3 would update the existing lease to reflect changes to the Administrative Code and other City requirements, such as provisions requiring compliance with the ban on tropical hardwoods and virgin redwood, the MacBride Principles related to employment inequity in Northern Ireland, the Non-Discrimination in City Contracts and Equal Benefits Ordinance, and the Minimum Compensation Ordinance.

Comments:

1. As previously noted, the proposed lease modification would ultimately result in a maximum net increase of 1.87 acres of space for United Airlines. The net rent increase that the Airport would receive annually from United Airlines is $67,095 per year, as shown in the table below. However, the increased acreage to be added to the lease will most likely be less than the estimated 1.87 acres since the parking parcel now under permit will be reduced by AirTrain construction as described above. Ms. Schimke advises that the Airport will not add more than 2.61 acres to the lease with United Airlines. The estimated net increased rent of $67,095 to be paid by United to the Airport is shown in the table below. The net increased rent applies immediately to the estimated 2.61 acres provided to United Airlines under a month-to-month permit effective December 1, 2000, as well as to the final acreage after it is incorporated into the existing lease. As stated previously, Ms. Schimke reports that the Airport expects to complete the Multi-Modal Transportation Center and the AirTrain Extension in approximately four to six years, as stated in the Attachment, provided by the Airport.

	Annual Cost per Acre	Total Acres	Annual Airport Revenues
Existing Lease	$35,879.50	129.75	4,655,365
Space relinquished by United Airlines to the Airport	$35,879.50	(0.74)	(26,550)
Estimated additional space to be leased by United Airlines	$35,879.50	2.61	93,645
New Total		**131.62**	**$4,722,460**
Net Increase		**1.87**	**$67,095**

2. As stated previously, Ms. Schimke advises that on December 1, 2000, United Airlines relinquished 0.74 acres of space leased under the existing contract. In addition, the Airport issued to United Airlines a permit, effective December 1, 2000, to use an additional 2.61 acres for employee parking, at which point United Airlines began paying additional rent to the Airport based upon the additional 2.61 acres. Therefore, the Budget Analyst recommends that the subject resolution be amended to provide for retroactive authorization. Ms. Schimke advises that the permit to United for use of the 2.61 acres will be terminated when the space is formally incorporated into the existing lease.

3. As noted above, United Airlines will be charged rent for the additional 2.61 acres at the same rate of $35,879.50 per acre charged for the existing lease both when the space is under permit and after it is added to the lease. Ms. Schimke advises that the rate of $35,879.50 first became effective July 1, 1998. The Budget Analyst notes that not only has this rent of $35,879.50 per acre not been increased since July 1, 1998, or for 2.5 years, but additionally, over the 10-year lease extension, which expires June 30, 2003, the rental increases to United Airlines in total have averaged approximately one percent per year over 10 years, or a total increase of $3,261.77, which adjusted the 1993 rent of $32,617.73 per acre to the current rent of $35,879.50 per acre.

Had this rent amount been adjusted upward according to the total 11.24 percent increase in the Consumer Price Index (CPI) between July 1, 1998 and January 2001, the rent would have increased by $4,302.86 to an annual rent of $39,912.35 per acre. Furthermore, the Budget Analyst questions why the Airport does not require that United Airlines pay the Airport an adjusted rent based on current fair market rent for the net additional 1.87 acres to be used by United Airlines (the 2.61 acres in new employee parking for United Airlines, less the 0.74 acres relinquished back by United Airlines to the Airport).

According to Ms. Schimke, the Airport agreed to the proposed exchange of property with United Airlines and the rental rate of $35,879.50 because the 0.74 acres United Airlines has relinquished to the Airport is critical to the completion of the AirTrain Extension and the Multi Modal Center. The Budget Analyst notes, however, that the net additional 1.87 acres provided to United Airlines for employee parking is apparently important to United Airlines since United Airlines has requested the additional land from the Airport. Therefore, the Budget Analyst questions why the Airport does not require United Airlines to pay the current fair market value for the additional land that United will receive and why the rent being charged to United Airlines has only been increased by an average of one percent annually over the 10-year lease extension period, which expires on June 30, 2003.

4. Ms. Schimke also states that the original 1973 lease with United Airlines contains no provisions for annual adjustments in rent during the initial 20-year term of the lease, or during each of the subsequent two 10-year extension periods. As discussed in Comment No. 3 above, the existing lease provides that before each of the 10-year extensions, the Airport and United Airlines will negotiate a revised rent based upon Airport appraisals of the land's fair market value at that time.

5. In response to the Budget Analyst's report, Ms. Schimke advises that the Airport has negotiated the proposed lease Modification No. 3 to accommodate the Airport. The Airport went to United Airlines with the request for the Airport to take back from United Airlines 0.74 acres of property to which United had absolute rights under its long-term lease,

according to Ms. Schimke. The Airport's providing of up to 2.61 acres of Airport property to United Airlines, which would enable United Airlines to provide its employees an additional 150 parking spaces at the same rate of the existing lease, was the 'price' for United Airline's agreement to relinquish the 0.74 acres back to the Airport, according to Ms. Schimke. Ms. Schimke states that the Airport was not in a bargaining position to demand pricing concessions from United as part of this deal. Ms. Schimke reiterates that the 0.74 acres that the Airport will obtain from United Airlines is necessary for the completion of the Airport's Multi-Modal Transportation Center and AirTrain extension (light rail system). In addition to the important public policy goals of the Multi-Modal Transportation Center, according to Ms. Schimke, the Parking Lot DD portion of the project (see Attachment) has significant revenue implications. Ms. Schimke anticipates that the expansion of Parking Lot DD (the expansion will initially be used for Airport employee parking and Airport tenant employee parking, and eventually for public long-term parking) allowed by the recapture of the 0.74 acres from United Airlines will generate additional parking revenues to the Airport conservatively estimated at $1,017,600 for the first full year of operation, rising to approximately $3 million per year when the lot reaches capacity. Ms. Schimke advises that these parking revenues will increase significantly once the lot converts the Airport employee and Airport tenant employee parking to public long-term parking when the Multi-Modal Transportation Center is completed.

6. Under the terms of the lease, not until the current 10-year lease extension expires on June 30, 2003 will the Airport, in conjunction with the Department of Real Estate, appraise the value of the land and negotiate with United Airlines a revised rent based upon the land's fair market value at that time, as of July 1, 2003.

7. As previously noted, in 1993, under the first 10-year extension, the Airport and United Airlines negotiated an adjusted rent for this first 10-year extension, effective July 1, 1993, to increase the annual rent by $3,261.77, from $32,617.73 per acre to $35,879.50 per acre annually, effective July 1, 1998. This one and only rent increase represents an average increase of only one percent

annually, or a total increase of 10 percent over the 10-year lease extension. This mid-term adjustment was not intended to reflect fair market value at mid-term, according to Ms. Schimke. While the Budget Analyst acknowledges that the 1973 original lease contained no provisions for annual rent adjustments, nothing precludes the Airport from negotiating a rent adjustment at this time, since the Airport is requesting approval from the Board of Supervisors of a proposed new lease Modification No. 3, which would provide United Airlines with 1.87 additional acres of Airport property.

Recommendations:

1. Amend the proposed resolution to provide for retroactive authorization, in accordance with Comment No. 2 above.

2. Approval of the proposed resolution, as amended, is a policy matter for the Board of Supervisors since under the proposed lease Modification No. 3, the Airport will not receive current fair market value until July 1, 2003 and, as the lease presently states, the Airport does not require United Airlines to pay annual rent adjustments based on annual percentage increases in the Consumer Price Index (CPI) over the entire potential 40-year term of this lease.

AIRPORT COMMISSION
SAN FRANCISCO INTERNATIONAL AIRPORT
CITY AND COUNTY OF SAN FRANCISCO

INTEROFFICE MEMORANDUM

TO: Harvey Rose
Budget Analyst

DATE: January 24, 2001

FROM: Bob Rhoades
Deputy Airport Director, Business

SUBJECT: Lot DD Development – MultiModal Transportation Center

Lot DD consists of a 3,218 space parking garage for Airport and tenant employees under Airport control. It also contains a secure 1,190 space, paved parking lot under long-term lease through year 2013 to United Airlines ("UA") for UA employee parking. Access to the employee parking garage is by way of a signalized entry/exit from South Airport Boulevard. Access to the UA employee parking area is from a separate signalized entry/exit from South Airport Boulevard, with an additional (stop sign controlled) exit onto westbound San Bruno Avenue. Shuttle buses transport employees to and from other Airport destinations.

The Airport intends to improve Lot DD as part of a Multi-Modal Transportation Center ("MMTC") development. Under the "Transit First Policy" adopted by the Airport Commission in 1996, the Airport is committed to the development of a ground transportation system which gives priority to alternate transit modes. As part of this commitment, the development of the MMTC at Lot DD would provide a consolidated transportation connection for long-term airport parking, buses, and bicyclists, with access to the terminal complex. The MMTC would achieve a number of transit first objectives, such as: 1) reduce vehicular travel to and congestion on the passenger terminal roadways by providing direct access via AirTrain for remote long-term parking sites; 2) encourage use of public transit by providing a direct connection between a new SamTrans stop and AirTrain; 3) encourage bicycle commuting by providing an extension of the Bay Trail, and new bicycle parking facilities with direct access to the terminal complex via AirTrain.

Lot DD improvements will involve an extension of the AirTrain System (the Airport light rail system); two MMTC AirTrain Stations; construction of a link of the San Francisco Bay Trail; and expansion of long-term parking facilities. The Lot DD improvements are broken into two phases for implementation.

Phase I improvements include: paving an unimproved portion of the lot to add approximately 1,600 additional parking spaces to initially be used by employees; signalization improvements at the intersections of South Airport Boulevard and the I-380 off and on-ramps; construction of the Bay Trail link through Lot DD; and relocation of the parking lot exit onto San Bruno Avenue. A contract is currently underway to make the first phase improvements.

Phase II improvements include: the extension of the AirTrain System; construction of a second parking structure; and the conversion of the employee parking lot and structures into long-term parking facilities.

The only viable vehicular access to the new parking area being developed is through the United Airlines' secure leasehold area. Without such access, the new surface parking area being developed in Phase I would be unusable, making less long-term parking available in the future. To obtain UA agreement to bisect their leasehold the Airport agreed to increase the UA leasehold to accommodate 150 additional parking spaces and to retain the access onto San Bruno Avenue for the UA employees.

Phase I of the project is now underway. The entire MMTC, including phase II improvements, is expected to be complete within four to six years.

Item 3 - File 01-0052

Department:	Airport Commission
Item:	Resolution approving a new lease agreement for Plot 6 between United Airlines, Inc. (United) and the City and County of San Francisco, acting by and through its Airport Commission
Lessor:	City and County of San Francisco
Lessee:	United Airlines, Inc.
Total Acreage and Cost Per Month Payable by United Airlines, Inc. to the Airport:	16.04 acres at a monthly rental rate of $132,054.65 for the first and second years of the proposed lease (approximately $8,232.83 per acre per month). For the first and second years, annual rent would total $1,584,655.76 ($98,794 per acre per year).
Purpose of Lease:	United will use the 16.04 acres for an air cargo facility, administrative offices and employee parking.
Amount Payable by United to Airport:	$1,584,655.76 per year for the first and second year of the lease. According to Ms. Dorothy Schimke of the Airport, rent in the amount of $1,584,655.76 per year represents the fair market value of the subject 16.04 acres on June 1, 1999, the retroactive effective date of the proposed lease. Presently, United pays the Airport $508,353 under permit for 19.35 acres (see Comment No. 2). The proposed lease provides for annual increases in the rent based on increases in the Consumer Price Index (CPI). According to the proposed lease, the CPI adjustment would begin on June 1, 2001. As stated in the Attachment provided by the Airport, there will be no CPI adjustment between June 1, 1999 and June 1, 2001. In the sixth year of the proposed lease, the annual rental payment to the Airport will be determined by a City reappraisal of the land to reestablish the fair market value amount. Subsequent annual increases in the rent will be made based on increases in the CPI through the end of the lease.

Term of Lease: Retroactive to June 1, 1999 to June 30, 2011 (12 years and one month)

Right of Renewal: Lessee has no renewal rights.

Maintenance and Operations: The Lessee, United Airlines, Inc., pays for the costs of all maintenance and operations.

Description: The proposed resolution would authorize a new 12 year and one month lease retroactive to June 1, 1999 of 16.04 acres of a newly configured Plot 6 to accommodate United's air cargo facility, some administrative offices and employee parking. The 16.04 acres of a newly configured Plot 6 would constitute approximately 83 percent of the 19.35 acres of Plots 5 and 6 covered under a month-to-month permit, cancelable on 30-day notice, since the expiration of original leases in 1993. According to Ms. Schimke, United occupied the 16.04 acres from 1993 until June 1, 1999 on a permit basis, instead of under a lease, pursuant to the following conditions contained in a Memorandum of Understanding negotiated in the early 1990s between the Airport and United Airlines:

1) Upon termination of the leases of Plots 5 and 6 in 1993, the leases would be replaced in the interim by month-to-month permits, for the same areas at the same land rental rates as were then in effect, until the land was required for the Airport's Master Plan construction or the functions were accommodated elsewhere;

2) The Airport would offer United a "standard lease" for that portion of the site primarily comprising Plot 6, for continued accommodation of its air cargo facility, offices and related parking;

3) Rent under the interim permit(s) would remain at the same rate as was in effect upon termination of the Plots 5 and 6 leases, and would be adjusted to fair market value at the time the new leases were in place.

The differences between the proposed lease for 16.04 acres of a newly configured Plot 6 and the existing month-to-month permit for 19.35 acres of Plots 5 and 6 are (1) the permit is cancelable upon 30-days notice, (2) the new lease adjusts the rents as described in Comment No. 2 below, (3) 1.43 acres have been added to result in a total acreage of 16.04 acres for Plot 6, which originally totaled 14.61 acres, and (4) Plot 6 has been slightly reconfigured due to the Airport's Master Plan construction program for Boarding Area "G" and the Air Train (Airport Light Rail System).

The proposed lease would reflect the City's Administrative Code and other City requirements, such as provisions requiring compliance with the ban on tropical hardwoods and virgin redwood, the MacBride Principles related to employment inequity in Northern Ireland, the Non-Discrimination in City Contracts and Equal Benefits Ordinance, and the Minimum Compensation Ordinance.

Comments:

1. The Airport Commission adopted Resolution No. 00-0464 on December 19, 2000, recommending the proposed new lease to United retroactive to June 1, 1999. As shown in the Attachment, the lease is retroactive to June 1, 1999 because in June of 1999, the Airport determined that the Air Train required adjustments that would encroach upon the eastern boundary of the new Plot 6. Finalization of the Plot 6 lease was therefore put off until the Air Train issues were settled and a legal description of the premises could be accurately determined. Ms. Schimke reports that because these adjustments were minimal, United agreed to establishing an effective date of June 1, 1999 for the proposed lease at the then market value rental rate. The final configuration of the parcel incorporating the Air Train land recapture was not defined and resolved between the Airport and United until November of 2000.

2. According to Ms. Schimke, the proposed lease of 16.04 acres includes 14.61 acres of the old Plot 6 and 1.43 acres of the old Plot 5. As previously noted, the annual rent for the first and second year for the 16.04 acres would be $1,584,655.76, a net annual increase of $1,076,302.76, or an increase of approximately 211.7 percent, retroactive to June 1, 1999, from the permit rent of $508,353 payable by

United to the Airport for the 19.35 acres of Plots 5 and 6 covered under permit. The new proposed lease pertaining to 16.04 acres would result in a reduction of 3.31 acres being leased by the Airport to United. Ms. Schimke reports that upon approval of the proposed lease by the Board of Supervisors, United would pay retroactively to the City $1,793,838, representing the difference in the monthly rental income of $89,691.90 for the 20 month period from June 1, 1999, the start of the proposed lease, through January 31, 2001. The net increase in rent payable by United to the Airport for the first two years of the lease is calculated as follows:

	Approximate Annual Cost per Acre	Total Acres	Annual Airport Revenues
Old permit: Plot 5	$42,000	4.07[1]	$170,940
Plot 6	$22,082	15.28	$337,413
Subtotal for permit		19.35	$508,353
Proposed new lease for new Plot 6 (includes a majority of the acreage of the old Plot 6 and a small parcel of the old Plot 5)	$98,794	16.04	$1,584,655.76
Net Increase			$1,076,302.76

3. The Budget Analyst notes that had the rent amount for the second year of the proposed lease been adjusted upward according to the 3.77 percent increase in the CPI between June 1, 1999 and June 1, 2000, the rent would have increased by approximately $59,742 to an annual rent of approximately $1,644,398 instead of the proposed annual rent of $1,584,655.76 for the first and second year of the proposed lease.

4. Since the lease began on June 1, 1999, the proposed resolution should be amended to provide for retroactive authorization.

[1] Under the proposed lease for the new Plot 6, United will lease 1.43 acres of the 4.07 acres of Plot 5 that were under permit.

Recommendations:

1. Amend the proposed resolution to provide for retroactive authorization, in accordance with Comment No. 4 above.

2. Approval of the proposed resolution, as amended, is a policy matter for the Board of Supervisors because there will be no CPI adjustment for rent for the second year of the proposed lease. Had the rent amount being charged by the Airport to United Airlines for the second year of the proposed lease been adjusted upward according to the increase in the CPI, the rent payable by United to the Airport would have increased by approximately $59,742 to an annual rent of $1,644,398, instead of the proposed annual rent of $1,584,655.76 as noted in Comment No. 3.

AIRPORT COMMISSION
SAN FRANCISCO INTERNATIONAL AIRPORT
CITY AND COUNTY OF SAN FRANCISCO

MEMORANDUM

TO: Harvey Rose
Budget Analyst

DATE: January 25, 2001

FROM: Bob Rhoades
Deputy Airport Director, Business

SUBJECT: Plot 6 Lease – United Airlines

As discussed in the Budget Analyst's report, the subject lease comprises one element of a complex series of land exchanges required to implement the Airport's Master Plan. The general concept, negotiated in the early 1990's, provided for existing permits to remain in place, at then-current rents, until the land was required for the Master Plan construction or the functions were accommodated elsewhere. It was generally agreed that the Plot 6 lease would not be finalized until the parcel reached its final configuration. It was anticipated that the plot would reach its final configuration when the Airport recaptured a parking parcel in the area now comprising a portion of the new Boarding Area G apron.

The parking parcel was surrendered by United in June 1999; however, at that time it became apparent that the Air Train (Airport light rail system) guideway required adjustments that would encroach upon the eastern boundary of Plot 6. The Plot 6 lease could not be absolutely finalized until the guideway issues were settled and legal description of the premises could be written, based upon formal survey. The issues were finally resolved in late 2000.

Because the guideway adjustments were minimal, the parties agreed that, once approved by the Board of Supervisors, the Plot 6 rent commencement would be retroactive to June 1, 1999. The first CPI adjustment will occur in accordance with lease provisions, once the lease is actually in place (after Board approval). The Base Index for CPI adjustments is defined as "the most recent Consumer Price Index published immediately prior to the Commencement Date," or April 1999. The Comparison Index for the first (June 2001) adjustment will be April 2001, generating a two-year value increase.

Item 4 – File 01-0047

Department: Police Department

Item: Resolution authorizing the Chief of Police to execute an agreement with the State of California in the amount of $103,358 to obtain various training equipment.

Amount: $103,358

Source of Funds: California Commission on Peace Officer Standards and Training (POST)

Term of Agreement: July 1, 2000 through June 30, 2001 (see Comment No. 1)

Description: Currently, the California Commission on Peace Officer Standards and Training (POST) requires all California Peace Officers to undergo a minimum of 24 hours of in-service training every two years. Effective for Fiscal Year 2000 - 2001, POST added the additional requirement that 14 of the mandatory 24 hours of in-service training be in particular skills, which include the use of force, vehicle operation, and arrest and control skills (i.e., the ability to physically subdue persons under arrest who are uncooperative). In order to enable local law enforcement jurisdictions to meet these requirements, POST has offered to reimburse 23 law enforcement jurisdictions (see Attachment I) throughout California for the acquisition of the necessary training equipment.

The subject resolution would authorize the Chief of Police to execute an agreement with the California Commission on Peace Officer Standards and Training, in order for POST to reimburse the Police Department $103,358 for the costs of the training equipment needed by the Department for the State-required training. The new equipment would be utilized at the Police Academy.

Budget: $103,358. Attachment II, provided by the Police Department, contains a detailed list of the equipment the Police Department would acquire. Attachment III, provided by the Police Department, contains explanations of the equipment to be acquired.

Comments:

1. The proposed agreement states that the term of the agreement would commence on July 1, 2000, or upon delivery of an approved copy of the contract to POST. Captain Dan Lawson of the Police Department states that the Police Department would not transmit an executed copy of the proposed agreement to POST until the Police Department has obtained approval of this proposed resolution from the Board of Supervisors.

2. The proposed agreement contains multiple indemnification provisions. Ms. Margaret Baumgartner of the City Attorney's Office states that she has reviewed the subject proposed agreement, and that the indemnification provisions contained therein are standard and pose no unreasonable risk to the City.

3. According to Captain Lawson, after entering into the proposed agreement, the San Francisco Police Academy would be designated as a regional California Law Enforcement Mini-Skills Academy by POST. The Police Academy would then provide the State-required training to its own uniformed personnel and to security personnel of other jurisdictions, such as UCSF and San Francisco State University, if sufficient training time is available. According to Captain Lawson, POST would fully reimburse the Police Department for all such costs the Police Department incurs for providing the State-required training.

Recommendation: Approve the proposed resolution.

CALIFORNIA POST

CONTACT:
POST
916.227.3909
postmaster@
post.ca.gov

POST Regional Skills Training (
Resource/Contact Pa(
October, 2000

SKILLS CENTER	CONTACT	CONTACT	
	LEDS SIMULATOR	FOS SIMULATOR	PROJECT MANAGER
ALAMEDA SD	Terry Godchau	Les Moore	Richard Bond
98-011-82 AIS & FAAC	925-551-6987	925-803-7129	925-551-6970
CC/LOS MEDANOS	Bud Markwith	Ollie Sansen	Gretchen Fretter
980011-76 EIS & AMOS	925-250-2635	925-439-2181x3273	x3274
ALAN HANCOCK	Bill Stearn 922-6966 3812	Greg Dossey	Al Avila
98-011-90 AIS & AMOS	805-925-6874	805-925-6874	6874
FRESNO PD	Bill Dooley	Bill Dooley	Lt. Greg Garner
98-011-58 EIS & ISIM		559-498-1460	559-498-1450
LOS ANGELES PD	Bob Reid	Sgt. Frank Mica	Capt. Rich Wemmer
98-011-78 FATS & AMOS	818-832-3722	213-485-6524	310-342-3010
LOS ANGELES SD	George Grein	Derek Sill	Dave Furmanski
98-011-96 EIS & FAAC	909-629-8535	323-881-3700	323-881-3700
MODESTO RSCJTC	Ed Viohl SCSD	Greg Hausmann	Cliff Harper
98-011-59 AIS & AMOS	209-525-4704	209-525-4709	209-525-4701
ORANGE SD	Bob Naranjo	Ken Merrill	Tim Finneran
98-011-91 AIS & ISIM	714-429-1870	714-538-0923	714-538-0923
REDDING/BUTTE	Ken Bently	Dan Kupsky	Dr. Leslie Sue
98-011-77 FATS & AMOS	530-895-2405	530-225-4285	530-895-2401
RIVERSIDE SD	John Doyle	Larry Nering	Lt. Rick Higgins
98-011-92 AIS & ISIM	909-486-2800	909-486-2800	909-486-2800
SACRAMENTO SD		Sgt Lane Barlow	Lt Lena Maddux
98-011-74 AIS		916-874-1856	875-0021
SACRAMENTO PD	Sgt. Mike Smith	Cpl Mike Camp	Capt. Mary Savage
98-011-AMOS	916-228-3859 p810-6696	264-8282	433-4006
SAN BDNO SD	Gordon Clemmer	Gordon Clemmer	Capt. Greg Kyritsis
98-011-97 FATS & AMOS	909-880-2622	909-880-2622	909-880-3401
SAN DIEGO PD	Paul Becotte	Steve Margetts	Lt. Bob Stinson
98-011-94 FATS & ISIM	619-388-7951	619-388-7952	619-388-7451
SISKIYOU SD	Frank Cena	David Cates	Frank Cena
98-011-81 FATS & AMOS	530-842-8381	530-842-8300	
SAN JOSE PD	Nick Battaglia	Greg Wagstaff	Lt. Dave Babineau
98-011-98 AIS & ISIM	408-501-0960	408-501-0960	408-501-0960
SANTA ROSA TC	Larry Silmach	Larry Silmach	Norm Cleaver
98-011-95 FATS & AMOS	707-776-0841	707-776-0841	707-776-0721

WEST COVINA PD	Dennis Mascilack	Tommy Garcia	Ron Gannon
98-011-99 FATS & ISIM	626-814-8579	626-814-8640	626-814-8554
SOUTH BAY RTC	Dennis Dunne	Dennis Dunne	Ron Havner
99-011-64	408-270-6458	408-270-6458	408-270-6477
COLL.OF REDWOODS		Ron Kirkpatrick	Gary Sokolow
		707-464-4334	707-464-4334
KERN SD		Kirk Foster	Comm. Claudia Fivecoat
		661-391-7500	661-391-7679
SAN FRANCISCO PD	Lt. Henry Parra	Dennis Quinn	Capt. Dan Lawson
	415-713-9932	415-695-6980	415-695-6903
VENTURA SD			Capt. Kenton Rainey
			805-388-4419
SANTA ANA PD	Sgt. Chuck Deakins	Sgt. Tony Levatino	Sgt. Tony Levatino
SELF-FUNDED FAAC	714-245-8057	714-245-8051	

Rodger B. Fluke, POST Webmaster

Revised: 19 Oct 2000 14:04:59 -0700.

CONTRACTOR: San Francisco Police Department 12
CONTRACT #: 00-011-36

EXHIBIT D

Equipment Acquisition and Budget Detail

Phase I

A) Acquisition of the following training equipment:

Quantity	Equipment	Item Total
1	Skid car platform	$40,000
1	Car for above platform (new Ford Crown Victoria - same make as typical patrol car)	$22,000
3	"Freddie" life-size training mannequins, plus related equipment and supplies	$10,089
3	"Redman" type training suits	$3,000
1	1000 Lumen or better LCD projector, RGB & Video	$5,000
1	Laptop computer for presentations and support: a. Primarily for the Driving Simulator course; b. Minimum specs: 400 mh, Pentium 2, 128 MB RAM, 10 GB capacity hard drive, CD ROM w/ DVD, Active Matrix screen, must be compatible w/LCD projector	$3,000
20	Training Handcuffs	$1,700
20	Straight Batons training type	$400
20	Side-handle Batons, Training Type	$400
Sufficient floor mats to facilitate "Freddie" Arrest and Control Techniques		$8,822
Red pistols, knives, shotguns		$1,070
	Sub-Total	$95,481
	TAX (8.25%)	$7877
	*TOTAL	$103,358

****If there are remaining funds, Contractor shall obtain approval from the Regional Skills Project Coordinator, Forrest Billington, (916) 227-4895, to purchase other peripheral training items as needed.***

Attachment III

Memorandum

San Francisco Police Department

APPROVED YES NO

Captain Daniel Lawson, #622
Police Academy

To: Captain Daniel Lawson, Training Division

From: Lieutenant Richard Parry, ~~Training~~ Division

Date: Thursday, February 01, 2001

Subject: Equipment Use For CPT Program

Issue:

Listed below are the proposed applications for the equipment being purchased under POST contract 00-011-36 the Perishable Skills Training Program.

Discussion:

All of the equipment listed in the attached exhibit "D" will be utilized in this weekly training program as prescribed by POST. The skid car platform and Crown Victoria patrol vehicle will be utilized to supplement vehicle operations training in both our Basic and our Advanced Courses. The remaining listed training equipment including handcuffs, batons, red weapons, floor mats, Freddies and Redman suits will be used to support the POST mandated Arrest and Control Techniques training and evaluation portion of the program.

The laptop computer and LCD projector will be utilized to present POST power point lesson plans in the Continuing Professional Training Program.

Recommendation:

N/A

Item 5 - File 00-2187

Note: This item was continued by the Finance Committee at its meeting of January 31, 2001.

Department: Department of Public Health (DPH)

Item: Resolution authorizing the Director of Public Health and the Purchaser to execute a contract between the City and County of San Francisco and Health Advocates, LLP to provide uncompensated care recovery services.

Contract Term: March 1, 2001 through December 31, 2002 (approximately 22 months).

Description: Uncompensated care recovery services include the assistance to complete Supplemental Security Income (SSI) and Medi-Cal eligibility applications on behalf of DPH patients, and representation and legal assistance for patients in SSI fair hearings and appeals, for the purpose of collecting unpaid inpatient hospital bills for DPH services that are provided to indigent patients. The proposed resolution would authorize DPH to enter into a contract with Health Advocates, LLP (HA), a private contractor, to provide an uncompensated care recovery program.

The DPH issued a Request for Proposals (RFP) in September of 2000, and received the following two bids in response to its RFP: (1) Health Advocates, LLP for $1,180,000 each contract year and, (2) Paralign for $1,090,000 each contract year. Attachment I, provided by Ms. Monique Zmuda from the DPH, indicates that the bid amounts were based on estimated annual revenue of $6,000,000, which has since been reduced to $5,800,000. Ms. Zmuda further advises in Attachment I that HA reduced its bid by $90,000 to $1,090,000 each contract year, the same amount bid by Paralign, after negotiations with the DPH. According to Ms. Zmuda, HA was selected based on the DPH's evaluation of the established criteria, which awards points based on recent relevant experience, the scope of work to be performed, the quality of past projects and cost. Ms. Zmuda states that the DPH also required the bidder to provide these services by multi-lingual and multi-cultural staff. Ms. Zmuda further states that the DPH also built in additional services into the scope of work, including following up on treatment

authorization requests, and incurring the cost of re-billing for services provided, once the clients have been made eligible for Medi-Cal.

According to Ms. Zmuda, the DPH has contracted out uncompensated care recovery services since 1988 to help supplement in-house efforts on uncompensated care recovery services. Ms. Zmuda advises that San Francisco General Hospital (SFGH) has an internal staff of ten Hospital Eligibility Workers to assist SFGH patients in identifying financial resources to pay for inpatient hospitalization for which no source of funding is currently available. Eligibility determination, which is provided by DPH personnel, and authorized by the City's Department of Human Services, typically includes assistance in applying for Medi-Cal or SSI, and making appropriate third-party claims. The contractor will handle those cases which the internal DPH eligibility workers have deemed "unreimburseable," usually involving former inpatients who have been discharged form SFGH. These uncompensated care services include identifying financial resources to pay for the care provided, field work on behalf of indigent patients, such as visits to homeless shelters; assistance in obtaining further medical treatments or evaluations, as necessary; efforts to locate former inpatients whose addresses are not known, and patient advocacy and representation in appealing denials of benefits to administrative agencies.

Based on a prior year actual recovery from contracting this service, Ms. Zmuda advises that the DPH was paid approximately $5,800,000 a year, or approximately $483,333 a month from making indigent patients eligible for third-party payment. The DPH anticipates the same level of annual reimbursement to be made under the proposed contract period.

The proposed subject contract would only pay the contractor a percentage of the revenues actually collected, on behalf of the City, according to the following schedule:

Cumulative Revenues Generated Each Contract Year			Contingency Fees Paid to the Contractor
$0	to$1,999,999	NET	20 percent
$2 million	to$2,999,999	NET	18 percent
$3 million	and above	NET	16 percent

"NET" is used to describe the actual cash received by SFGH as opposed to any unique program determinations of allowable amounts and the deduction of contractual allowances. In accordance with the contract provisions, HA would be paid a varying fee by the DPH based on the percentage of the revenues collected by the contractor.

Comments:

1. As indicated above, the proposed contract would extend for the 22-month period from March 1, 2001 through December 31, 2002. According to Ms. Zmuda, DPH expects to realize approximately $10,633,333 in additional revenues under this 22-month contract, with the contractor to be paid an estimated $1,884,667, or an overall average of 17.72 percent of the revenue collected, for net estimated revenues to the City of $8,748,667 for the term of the 22-month contract. Attachment II, provided by DPH, highlights the estimated revenue and contingency fees associated with the subject contract agreement. As mentioned above, the actual contingency fees paid to HA will depend on the revenue realized during the contract period.

2. The proposed subject resolution authorizes the Director of Public Health and the Purchaser to make amendments to the subject contract, if needed. According to Ms. Zmuda, this is a standard provision in all of the DPH's contracts, which allows the DPH to make minor changes, such as including an additional scope of work requirement or extending a contract for a few months while an RFP is in process, but not change the intent of the original contract.

3. On January 31, 2000 the Human Rights Commission (HRC) issued a report to the Finance Committee pertaining to the Department of Public Health (DPH) Request for Proposal Process #17-2000: Uncompensated

Care Recovery Services (Attachment III). The HRC concluded:

"There was a general consensus among the panelists that Health Advocates submitted a superior proposal. In addition, DPH conducted a well organized and documented RFP process. However, ... it is extremely important to avoid even the appearance of bias in these procurements. In this regard, HRC believes that there were several flaws in the process.

First, none of the panel members should have had any recent dealings with either proposer. Second, the partial reference checks of only one proposer should not have been given to the panelists. If reference checks were shared with the panelists at all, then full and complete checks for both the panelists should have been included. Finally, the letter of recommendation from the domestic partner of the CFO (of the DPH's Community Health Network) should not have been included in Health Advocate's proposal. Whether or not Health Advocates knew of the relationship, the sender must certainly have been aware of the conflict of interest and should have refrained.

There is no evidence to show that these flaws influenced the outcome of the evaluation process in any significant way. However, HRC believes that the most equitable resolution to this RFP would be to convene another panel to reassess the two previously submitted proposals, removing the letter from the CFO's domestic partner from that of Health Advocates."

4. The Budget Analyst requested a written response from Ms. Zmuda pertaining to the HRC report dated January 31, 2000. As of the writing of this report, Ms. Zmuda has not yet responded to the Budget Analyst.

Recommendation: Approval of the proposed resolution is a policy matter for the Board of Supervisors.

 Attachment I

City and County of San Francisco

Department of Public Health

Mitchell H. Katz, M.D.
Director of Health

Date: December 20, 2000

Memo To: Harvey Rose
Budget Analyst

From: Monique Zmuda
Chief Financial Officer

Re: Proposed Contract with Health Advocates, LLP

This memo is in response to questions regarding the proposed contract with Health Advocates LLP, to provide uncompensated care recovery reimbursement services for the Community Health Network of the Department of Public Health.

The following summarizes the RFP Process:

Date RFP Issued: September 29, 2000
Selection Made: November 21, 2000

Number of Bidders: 2- Both profit-making private firms

Bid Amounts: Both firms were requested to bid on services for revenue recovery of $6 million annually. Although the bid from Health Advocates was $90,000 higher than the other qualified bidder, Health Advocates had a higher score, and thus was awarded the contract. In contract negotiations with Health Advocates, the Department was successful in securing a reduction equivalent to $90,000 in the contract rate for the services.

(415) 554-2600 101 Grove Street San Francisco, CA 94102

Attachment II

Uncompensated Care (Revenue) Recovery Services Contract

Vendor: Health Advocates		# Months	Annual Est. Revenue	Monthly Revenue	22-Month Est. Revenue
Contingency Fee		22	$5,800,000	$483,333	$10,633,333
20%	$0 through $1,999,999		$400,000		
18%	$2,000,000 through $2,999,000		$180,000		
16%	$3,000,000 and above		$448,000		
	Estimated Contingency Fee		$1,028,000	$85,667	$1,884,667
				Total Net Revenue to City	$8,748,667
				% of Total Estimated Revenue	17.72%

City and County of San Francisco

Willie Lewis Brown, Jr.
Mayor

Human Rights Commission
Contract Compliance
Dispute Resolution/Fair Housing
Minority/Women/Local Business Enterprise
Lesbian Gay Bisexual Transgender & HIV Discrimination

Virginia M. Harmon
Interim Director

MEMORANDUM

Date: January 31st, 2001

To: Honorable Members of the Finance Committee

Through: Virginia Harmon
Interim Director, HRC

From: Diana Rathbone
Senior Contract Compliance Officer, HRC

Subject: Department of Public Health (DPH) Request for Proposal # 17-2000: Uncompensated Care Recovery Services

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At its regular meeting on January 17th, 2001, the Finance Committee of the Board of Supervisors asked the Human Rights Commission to look into the selection process for the above referenced contract and to ensure its impartiality.

This report is a response to that request. It includes a brief contract history, followed by a summary of normal selection procedures for professional services contracts. These procedures are then compared with those on this contract, with special reference to potential problem areas raised at the Finance Committee meeting.

BACKGROUND

In September, 2000, DPH issued a Request for Proposals (RFP) for uncompensated care recovery services. The purpose of this RFP was to hire a contractor to assist DPH in collecting unpaid inpatient hospital bills for services that are provided to indigent patients. Such services include, for example, completing Supplemental Security Income (SSI) and Medi-Cal eligibility applications on behalf of patients, and representing them at SSI fair hearings and appeals.

Two proposals were received in response to the RFP, one from the incumbent, Paralign, and the other from a new contractor called Health Advocates.

The proposals were rated by an expert panel and Health Advocates received the highest score. When Paralign was notified that it had not been selected, it filed an appeal with DPH, which DPH overruled. The Health Commission then voted to award the contract to Health Advocates at its meeting on December 12th, 2000 and, because the contract involves incoming revenues to

the City in excess of $1 million, it was forwarded to the Board of Supervisors Finance Committee for its approval.

Paralign has filed an application for a temporary restraining order and a motion for a preliminary injunction in the United States District Court for Northern California. The court has agreed to continue the date of this motion until the Board of Supervisors awards the contract.

CONTRACT SELECTION PROCEDURES

The City has two distinct processes for the selection of contractors. They are variously described in Chapters 6 and 12D.A of the San Francisco Administrative Code.

Construction Contracts. Construction contracts are put out to bid and the contract is awarded to the lowest responsible and responsive bidder.

Professional Services Contracts. Professional services contracts are awarded using an RFP process. The aim of the RFP is to select the company which will provide the highest level of service (i.e., which proposer will design the most beautiful and functional hospital; which proposer will provide accounting services in the most efficient and timely manner; which proposer will create the most user friendly and reliable computer software program).

On many professional services contracts, particularly, architecture and engineering contracts, the quality of the work being proposed is the over-riding factor and, in those cases, fees are submitted, if they are submitted at all, in a separate, sealed envelope. In this way, the department has a starting point for cost negotiations with the successful contractor, but the panel is not influenced by questions of money.

On other contracts, as in the one before you, price may be an issue, and in these cases, it will be evaluated along with all other aspects of the proposal. However, price will never be the determining factor. If it were the determining factor, there would be no need to issue an RFP and the contract would be awarded to the lowest bidder, as if it were a construction contract.

Although every effort is made to keep the RFP process as objective as possible, it is, compared to the bidding process used for construction contracts, a more subjective approach. Therefore, every effort has to be made to document and to ensure the fairness of the selection procedures at each stage of the process, and to eliminate any possible suggestion of bias.

A TYPICAL SELECTION PROCESS.

RFP. The first step is for the department to issue an RFP. It should spell out exactly what the department is looking for, including clearly defined minimum qualifications and the types of information that should be included in the proposal. The RFP should also contain specific evaluation criteria, with predetermined points assigned to each criteria, so that proposers will understand how they are going to be scored.

On a typical contract, if points are assigned to the price, these points will be assessed using a predetermined formula based on the lowest price.

Preproposal Meeting and Questions. A pre-proposal meeting is held to answer the questions of potential proposers. Minutes are taken and are then distributed to all potential proposers, both those present at the meeting and those who have expressed interest in the RFP but who are not at the meeting. In addition, answers to any phone questions provided by the department to any interested proposer are provided by mail to all interested proposers.

Panel. The department selects a panel, normally composed of three or more members, to evaluate the proposals. Panelists must possess appropriate expertise to evaluate the contract in question and the panel as a whole must reflect the ethnic and gender diversity of San Francisco. HRC strongly recommends that at least one panel member be recruited from outside the department, and one from outside the City, to ensure impartiality. However, this is not a requirement.

No panel members should be involved in the preparation of the RFP in question, or in the planned future management of the contract. Additionally, no panel members should have a previous professional or personal relationship with any of the proposers.

Panel Orientation. The panel will normally receive an orientation prior to commencing its work. The point of the orientation is to answer any questions the panelists may have, and to provide rules to ensure an equitable process. For example, it is inappropriate for any panel member to attempt to influence the score of another panel member, to indicate by body language during an oral interview an opinion of the presentation in progress, to score a written proposal on anything other than the information contained within the proposal, or to give an oral interview of one hour, with one set of questions, to one proposer, and ten minutes, with a completely different set of questions, to another.

Scoring Written Proposals.

Once the proposals have been received, a copy of each one is sent to the panelists, after which, a meeting is normally convened to score the written proposals. The HRC's Rules and Regulations, pursuant to Chapter 12.D.A of the San Francisco Administrative Code (the Minority, Woman and Locally Owned Business (M/W/LBE) Ordinance) encourage departments to prohibit any discussion at all among panelists, other than for points of clarification and follow up, allowing each panelist to score each proposal and interview according to his or her individual assessment. However, this is not a requirement.

Oral Interviews.

Once the proposals have been evaluated, the department usually creates a shortlist of the top scorers, and these firms are then invited to an oral interview in front of the same panelists. All proposers should be asked the same questions, each interview should be scored according to

predetermined evaluation criteria and points and all interviews should take the same amount of time. Again, HRC discourages discussion among the panelists, other than for points of clarification and follow up, but this is not a requirement.

Negotiations and Contract Award.

At the conclusion of the selection process, the department enters into discussions with the firm which submitted the highest rated proposal. At this point, everything in the proposal, including the price, is open to negotiation.

Once those negotiations are successfully completed, the contract is ready for award. If the negotiations break down, the department will open negotiations with the second highest scorer, and so on, until it has a successful contractor.

QUESTIONS ABOUT THE PROCESS USED IN THIS RFP

General.

DPH, for the most part, followed the procedures outlined above. It is perhaps worth noting that, during the evaluation of the written proposals, the panel was allowed to discuss the responses to each of the evaluation criteria, prior to scoring that criteria according to the predetermined points. Notes were kept of these discussions, and these were later typed up and sent to each panel member for review. While HRC prefers that no discussion take place, such a practice is not prohibited, and there is nothing in either the notes or the scores to suggest anything other than a fair, thoughtful and unbiased evaluation. To the contrary, panel members report that it was an extremely formal selection process.

It is DPH's practice to assign the selection process to a contract administrator. The contract manager, the person who will be in charge of the contract once it is awarded, is not involved in the development of the RFP other than to advise on the selection of panel members and to be present at the panel evaluations to answer technical questions.

DPH decided not to conduct oral interviews.

References. Paralign's proposal included very few letters of recommendation, in comparison with that of Health Advocates. During the panel evaluation of the written proposals, the contract manager asked the contract administrator if she could share the results of Paralign's reference checks in an effort to bolster the information in Paralign's proposal. Permission was granted. At that point, the contract manager had not completed Paralign's reference checks, and had not started on those of Health Advocates.

The Paralign references were mixed, certainly more mixed than any letter a proposer would opt to include in a proposal. On the other hand, all but one of the panel members, although they remember the incident, do not feel that it effected their scoring one way or the other. They were

more influenced by the proposal itself. The other panel member felt it had increased an already negative assessment of Paralign's performance under this criteria.

No information was given to the panel regarding the outcome of Health Advocate's references, because they had not yet been checked.

Bias.

It is obviously extremely important that no panelists and no department staff involved in the RFP process should have any investment in its outcome that could bias the proceedings. For example, it is important in a contract such as this one that none of the panelists should have previously worked with the incumbent. However, two of the five panelists have had ongoing professional dealings with the incumbent in the performance of its current contract.

In addition, the contract manager, as well as her supervisor, the Chief Financial Officer (CFO) of DPH's Community Health network, had an existing relationship with one or other of the proposers. The CFO's domestic partner used to work for Health Advocates, and her letter of recommendation was one of those included in Health Advocate's proposal. The CFO is also close friends with several Paralign employees. For these reasons, when he was asked to serve on the panel, the CFO recused himself. However, as the contract manager's supervisor, it was also his job to review and sign off on all the RFP documents once the process was complete, the highest scorer determined and the letters of notification ready to be issued. The CFO did not recuse himself from this task and signed the document.

It seems clear that the CFO, in order to avoid even the appearance of bias, should have recused himself from the entire process, including lending his signature to the final RFP approval. However, because his role was so minor, and occurred post selection, it seems clear that his signature could not have influenced the outcome of the process itself. Additionally, none of the panel members knew the name of the CFO's domestic partner, and therefore could not have been influenced by the presence of this letter in Health Advocate's proposal.

The contract manager is the second person with an apparent conflict of interest. She was hired in July, 2000, two months before this RFP was issued, and part of her assignment was to work with the incumbent in the execution of its current contract. In addition, in a previous employment, she had hired Health Advocates to perform similar services to those requested in this RFP. Lastly, although she was not on the panel, she selected all but one of the panel members and she was present while the proposals were being scored as a technical advisor. It was in this role that she shared the partial references with the panel members.

The panel members say that the contract administrator played the most important role during their deliberations, giving them all of their instructions. They agree that the contract manager sat silently, apart from reading the references and answering one or two questions. There is therefore no evidence, except for reading the references, that she influenced their discussions in any way.

Bilingual Staff. This is not really an issue of procedure. The RFP required as a minimum qualification that proposers must be able to "demonstrate that they have adequate staff "on board" as of the time of its bid, who are bilingual," that they have access to interpreters, and that "both on and off site staff demographics reflect the ethnically diverse patient population served by DPH." Panel members and DPH staff are satisfied that both proposals met these requirements. After reviewing the proposals, HRC concurs with this opinion.

Price Negotiations. It was entirely normal and acceptable procedure for DPH to include the price submitted with the proposal in its negotiations with Health Advocates.
At that point Paralign, because it had a lower score, was, out of the picture, and had been notified in writing to that effect. It would have been highly unfair to allow Paralign to modify its proposal in any way after the completion of a selection process in which it was the loser, with the idea of allowing it to get back into the competition. Only if negotiations were unsuccessful with the highest scorer could DPH have entered into negotiations with Paralign.

CONCLUSION

There was general consensus among the panelists that Health Advocates submitted a superior proposal. In addition, DPH conducted a well organized and documented RFP process. However, as mentioned above, it is extremely important to avoid even the appearance of bias in these procurements. In this regard, HRC believes that there were several flaws in the process.

First, none of the panel members should have had any recent dealings with either proposer. Second, the partial reference checks of only one proposer should not have been given to the panelists. If reference checks were shared with the panelists at all, then full and complete checks for both the panelists should have been included. Finally, the letter of recommendation from the domestic partner of the CFO should not have been included in Health Advocate's proposal. Whether or not Health Advocates knew of the relationship, the sender must certainly have been aware of the conflict of interest and should have refrained.

There is no evidence to show that these flaws influenced the outcome of the evaluation process in any significant way. However, HRC believes that the most equitable resolution to this RFP would be to convene another panel to reassess the two previously submitted proposals, removing the letter from the CFO's domestic partner from that of Health Advocates.

Item 6 - File 01-0112

Departments: Human Resources Department (HRD)
Fire Department
Police Department
Department of Public Health (DPH)
Department of Human Services (DHS)
Sheriff's Department
Department of Parking and Traffic (DPT)
Recreation and Park Department (RPD)
Juvenile Probation Department

Item: Hearing to consider the release of reserved funds for the following departments to fund workers' compensation expenses in FY 2000-2001.

Amount: $9,410,038, as follows:

Department	Amount
Department of Public Health (DPH)	
Community Health Network	$2,309,684
Population Health	363,417
Subtotal Public Health	$2,673,101
Fire Department	2,122,174
Police Department	2,000,109
Department of Parking and Traffic (DPT)	724,685
Recreation and Park Department (RPD)	617,820
Sheriff's Department	501,096
Department of Human Services (DHS)	476,335
Juvenile Probation Department	294,718
Total Requested Release of Reserves	**$9,410,038**

Source of Funds: FY 2000-2001 General Fund Budget for each department listed above

Description: During the FY 2000-2001 budget hearings, the Finance and Labor Committee recommended that approximately one third of annual workers' compensation expenditure budgets for the eight City departments listed in the table above be placed on reserve so that the Committee could monitor workers' compensation spending during the fiscal year. The table shown below contains, for each of the eight departments, the FY 2000-2001 budgeted amount for workers' compensation, the actual expenditures

through December 31, 2000, the projected expenditures through June 30, 2001, and the projected surplus or deficit in spending for workers' compensation spending for FY 2000-2001.

Departmental General Fund Expenditures for Workers' Compensation through December 31, 2000*					
Department	FY 2000-2001 Budget	Actual Expenditures through 12/31/00	% of Annual Budget	Projected Expenditures through June 30, 2001	Projected Surplus (Deficit)
Public Health					
Community Health Network	$6,929,055	$3,081,843	44.5%	$6,225,323	$703,732
Population Health	1,090,252	327,044	30.0%	660,629	429,623
Subtotal	$8,019,307	$3,408,887	42.5%	$6,885,952	$1,133,355
Fire Department	6,416,523	3,017,575	47.0%	6,095,501	321,022
Police Department	6,375,329	3,309,274	51.9%	6,684,734	(309,405)
Recreation and Park	1,937,923	1,020,688	52.7%	2,061,790	(123,867)
Parking and Traffic	2,174,055	1,021,149	47.0%	2,062,722	111,333
Sheriff's Department	1,394,400	1,046,235	75.0%	1,727,515	(333,115)
Human Services	1,459,006	803,826	55.1%	1,623,728	(164,722)
Juvenile Probation	884,155	281,724	31.9%	569,082	315,073
Total	$28,660,698	$13,909,358	48.5%	$27,711,024	$949,674

*Actual expenditures from July 1, 2000 through December 31, 2000, totaling $13,909,358, were provided by the Workers' Compensation Division of the Department of Human Resources (HRD), as shown in Attachment I. Also provided by HRD, Attachment II contains projected expenditures for FY 2000-2001 for all General Fund and General-Fund supported departments, totaling $48,523,011, including $27,711,024 for the eight departments listed above.

According to HRD projections, the above table indicates that the Public Health Department, the Fire Department, the Department of Parking and Traffic and the Juvenile Probation Department are all spending within their previously approved FY 2000-2001 budget for workers' compensation.

While the Police Department, the Recreation and Park Department and the Department of Human Services are projected to end FY 2000-2001 with deficits in workers'

compensation, these three departments expect to cover such projected deficits using existing budgeted funds from other accounts in the departments' previously approved FY 2000-2001 budgets, and therefore, do not expect requesting supplemental appropriations for workers' compensation in FY 2000-2001, according to Captain John Goldberg of the Police Department, Ms. Mary King Gorky of the Recreation and Park Department and Ms. Sally Kipper of the Department of Human Services.

The Sheriff's Department, however, which is also expected to end FY 2000-2001 with a deficit in workers' compensation, will most likely require a supplemental appropriation to fund the department's estimated deficit of $333,115 for FY 2000-2001, as discussed in detail below.

Sheriff's Department

As of December 31, 2000, the Sheriff's Department had already expended $1,046,235, or 75.0 percent, of its total FY 2000-2001 workers' compensation budget of $1,394,400 and 117.1 percent of its available, unreserved workers' compensation funding of $893,304 ($1,394,400 budgeted less reserve of $501,096). Based on workers' compensation expenditures incurred during the first six months of Fiscal Year 2000-01, the Sheriff's Department is projected by the Department of Human Resources to spend an estimated total of $1,727,515 on workers' compensation costs during FY 2000-2001, as shown in the table above and in Attachment II, which is 23.9 percent or $333,115 more than the Department's total FY 2000-2001 workers' compensation appropriation of $1,394,400.[1]

The Sheriff's Department attributes high workers' compensation spending through the first six months of FY 2000-2001 (through December 31, 2000) to one extraordinary claim that was paid in November of 2000, which totaled $385,880, as stated in Attachment III, provided by the Sheriff's Department. Without this one extraordinary claim, the Sheriff's Department would have

[1] Attachment III, provided by the Sheriff's Department, contains a FY 2000-2001 projection for total expenditures for workers' compensation of $1,708,144, which is $19,371 less than HRD's projection of $1,727,515. Ms. Jean Mariani of the Sheriff's Department concurs with HRD's projections.

been within its workers' compensation budget for FY 2000-2001, having expended $660,133 (expenditures of $1,046,235 less the claim of $385,880) as of December 31, 2000, or 47.3 percent of its total workers' compensation appropriation of $1,394,400.

Comments:

1. It is therefore likely that the Sheriff's Department will require a supplemental appropriation for workers' compensation in FY 2000-2001 in the amount of approximately $333,115.

2. In addition, at the December 20, 2000 Finance and Labor Committee hearing on overtime expenditures in the Sheriff's Department, the Budget Analyst reported that the Sheriff's Department would likely require a supplemental appropriation in FY 2000-2001 of at least $1,911,919 for Salaries and Fringe Benefits, including a projected deficit in overtime funds of $1,759,730. The projected deficit of $333,115 for workers' compensation plus the Budget Analyst's previously projected deficit of $1,911,919 for Salaries and Fringe Benefits, including overtime, is likely to result in a total estimated supplemental appropriation for the Sheriff's Department in FY 2000-2001 of $2,245,034.

3. According to Mr. Minh Vu, Deputy Director of the Workers Compensation Divison at HRD, and as shown in Attachment II provided by HRD, total workers' compensation expenditures for FY 2000-2001 for all City departments are projected to be $54,823,445, or $1,416,355 less than the total FY 2000-2001 City budget for workers' compensation of $56,239,800 previously approved by the Board of Supervisors, including $49,021,543 budgeted for General Fund and General Fund supported departments. Also, as shown in Attachment II, total workers' compensation costs for General Fund and General Fund supported departments for FY 2000-2001 are projected to be $48,523,011, or $498,532 less than the total FY 2000-2001 budget of $49,021,543 previously approved by the Board of Supervisors.

Recommendation:

Approve the requested release of $9,410,038 in reserved workers' compensation funds.

WORKERS COMPENSATION DIVISION

CITY AND COUNTY OF SAN FRANCISCO
DEPARTMENT OF HUMAN RESOURCES

VOICE (415) 575-5600
TDD (415) 575-5624
FAX CLAIMS (415) 575-5662
FAX ADMINISTRATION (415) 575-5613

MEMORANDUM

TO: Finance and Labor Committee Members

FROM: Minh Vu, Deputy Director MV

DATE: January 30, 2001

SUBJECT: Request to Release Reserve on Workers' Compensation Funds

Recommended Action

Release the reserve on the workers' compensation funds in the 2000-2001 budget for eight departments – Fire, Police, Public Health, Human Services, Sheriff, Parking and Traffic, Juvenile Court, and Recreation and Parks.

Background

As part of its deliberations on the FY 2000-2001 budget, the Finance and Labor Committee reserved a portion (approximately one-third) of the workers' compensation budget for eight departments. Based on current spending rate, we project that this reserve will be needed to cover expenditures for the remainder of this fiscal year. Therefore, we are requesting release of the reserve.

30 VAN NESS AVENUE, SUITE 3300 SAN FRANCISCO, CA 94102-6027

Analysis/Reason for Recommendation

Through the end of December 2000, workers' compensation expenditures for most departments are in pace with budget. For all General Fund and General Fund supported departments, expenditures for the first half of the fiscal year are 49% of the annual budget. For six of the eight departments whose workers' compensation budgets were partially held in reserve, expenditures for the first half of the fiscal year range from 43% to 55% of annual budget. Juvenile Court to date only spent 32% of its annual workers' compensation budget, but Juvenile Court's budget is relatively small and therefore subject to fluctuations in expenditures. The Sheriff's Department, on the other hand, has already spent 75% of its annual budget due to one extraordinary claim pay out of $385,880 in the second quarter (this claim has now been closed), and will need to request a supplemental appropriation of funds even if reserve is released.

Workers' Compensation Reserves

Department	1999-2000 Expenditures	2000-2001 Budget	Reserved	Expenditures as of 12/31/00	Percent of Annual Budget
Fire	$6,793,359	$6,416,523	$2,122,174	$3,017,575	47%
Police	5,906,704	6,375,329	2,000,109	3,309,274	52%
Human Services	1,324,407	1,459,006	476,335	803,826	55%
Juvenile Probation	761,278	884,155	294,718	281,724	32%
Parking & Traffic	1,978,703	2,174,055	724,685	1,021,149	47%
Recreation & Park	2,235,240	1,937,923	617,820	1,020,688	53%
Sheriff	1,421,642	1,394,400	501,096	1,046,235	75%
Public Health					
-General Hospital	$3,222,711	3,466,402	1,155,467	1,515,427	44%
-Laguna Honda	2,898,258	2,836,045	945,348	1,309,692	46%
-Primary Care & Forensics	560,905	626,608	208,869	256,724	41%
-Population Health	1,140,927	1,090,252	363,417	327,044	30%
Total	7,822,801	8,019,307	2,673,101	3,408,887	43%
Total 8 Departments	$28,090,723	$28,660,698	$9,410,038	$13,909,358	49%
Total all General Fund and General Fund Supported Departments	$48,797,545	$49,021,543	$9,410,038	$24,211,147	49%

Many changes are being implemented this fiscal year to better control workers' compensation costs and improve services. The Workers' Compensation Division is under new management effective August 2000. Some major changes being implemented by new management are:

- Transitioning to a new claims administration contract effective May 1, 2001
- Converting to a new claims management information system effective May 1, 2001
- Re-engineering claims administration process to follow industry "best practices" approach
- Expanding medical provider networks to achieve higher savings on medical costs
- Conducting a needs analysis for a risk management information system to improve quality of data collection and analysis.

These changes, together with renewed emphasis by City departments on transitional work programs and other cost control efforts, are holding down costs while improving services. After significant cost increases in the past several years, this fiscal year's workers' compensation costs for the entire City are projected to be below last year's level based on actual expenditures for the first six months, absent an extraordinary or catastrophic event in the second half of the fiscal year.

City and County of San Francisco
Workers' Compensation Expenditures All Departments
Six-month Expenditure Comparison

1999-2000 July-December Expenditures	2000-2001 July-December Expenditures
$27,650,171	$27,329,020

Trends in Annual Expenditures

FY96-97	97-98	98-99	99-00	00-01(*)
$39,807,916	$46,294,961	$54,255,996	$55,591,559	$54,823,445

(*) Projected using straight-line method assuming 2% increase for second half of fiscal year and adjusted for one-time extraordinary claim pay out of $385,880.

Consequences of Negative Action

Without the release of this reserve, we will have insufficient funds available in our workers' compensation budget to cover expenditures, which are primarily benefit payments to our employees. Failure to provide these legally required workers' compensation benefits in a timely manner not only will negatively affect morale, it will also have other serious consequences including financial penalties and possible removal of self-insured license for the City by the California Department of Industrial Relations.

cc: Chief Paul Tabacco, SFFD
Captain John Goldgerg, SFPD
Trent Rhorer, DHS
Mitch Katz, DPH
Jesse Williams, Juvenile Probation
Fred Hamdun, DPT
Elizabeth Goldstein, Rec.& Park
Ken Bruce, Budget Analyst's Office
Erin Mc Grath, Mayor's Budget Office
Andrea R. Gourdine, DHR
Matthew Hymel, Controller's Office
Christine Ragan, SFFD
Captain Sandra Tong, SFPD
Sally Kipper, DHS
Monique Zmuda, DPH
Ed Lopatin, Juvenile Probation
Julia Dawson, DPT
Jeffrey Bramlett, Rec.& Park
Emilie Neumann, Budget Analyst's Office
Julian Low, Mayor's Budget Office
William Lee, DHR
Michele Olson, Board of Supervisors

Department of Human Resources
Workers Compensation Division

Workers' Compensation Expenditures

July 2000 through December 2000

FAMIS	Department	1999-2000 Actual	First Quarter	Second Quarter	6-Month Total	2000-2001 Projection	2000-2001 Budget	Surplus/ (Deficit)
1	Board of Supervisors	$4,482	$406	($1,128)	($722)	($722)	$0	$722
2	Assessor	161,896	54,252	41,127	95,378	192,664	100,000	($92,664)
3	City Attorney	71,031	29,070	21,806	50,876	102,770	82,708	($20,062)
4	District Attorney	82,831	23,594	16,172	39,766	80,327	119,913	$39,586
5	Public Defender	38,987	6,635	3,161	9,795	19,787	17,000	($2,787)
6	Sheriff	1,421,642	360,433	685,802	1,046,235	1,727,515	1,394,399	($333,116)
8	Treasurer/Tax Collector	83,491	23,235	7,814	31,050	62,720	85,061	$22,341
9	Controller	16,957	5,393	1,048	6,441	13,010	12,934	($76)
12	Juvenile Probation	761,278	135,797	145,927	281,724	569,082	884,154	$315,072
13	Adult Probation	72,362	25,022	10,762	35,784	72,283	73,641	$1,358
18	Ethics Commission	0	0	918	918	1,855	0	($1,855)
23	Children's Fund/Youth	249	95	0	95	192	0	($192)
25	Mayor's Office	18,997	4,841	11,718	16,559	33,448	26,791	($6,657)
26	Aging Commission	1,515	3,075	24,960	28,035	56,631	4,593	($52,038)
28	Art Commission	39,217	4,857	6,430	11,288	22,801	0	($22,801)
29	City Planning	3,673	1,591	497	2,089	4,219	0	($4,219)
30	Civil Service	2,661	448	385	834	1,684	0	($1,684)
31	Fire	6,793,359	1,359,520	1,658,055	3,017,575	6,095,501	6,416,522	$321,021
33	Human Resources	188,152	126,704	71,281	197,985	399,930	492,130	$92,200
33	Health Service	87,713	23,765	27,510	51,274	103,574	89,536	($14,038)
34	Human Right	53,507	7,359	9,885	17,243	34,831	0	($34,831)
36	Parking and Traffic	1,978,703	452,195	568,954	1,021,149	2,062,722	2,174,055	$111,333
37	Permit Appeals	5,900	4,540	12,559	17,100	34,542	0	($34,542)
38	Police	5,906,704	1,561,203	1,748,071	3,309,274	6,684,734	6,375,328	($309,406)
42	Recreation & Parks	2,234,974	597,354	423,334	1,020,688	2,061,790	1,878,462	($183,328)
42	Rec & Park -Open Space	266	0	0	0	0	59,460	$59,460
45	Human Services	1,324,407	388,132	415,693	803,826	1,623,728	1,439,006	($184,722)
45	Human Services-GA	0	0	0	0	0	20,000	$20,000
48	Status of Women	0	0	0	0	0	0	$0
60	CA. Academy of Sciences	21,551	2,246	1,811	4,057	8,195	0	($8,195)
61	Fine Arts Museum	119,989	14,141	13,538	27,679	55,911	100,000	$44,089
62	Asian Art Museum	59	0	0	0	0	0	$0
63	Law Library	51,554	9,392	15,464	24,856	50,209	0	($50,209)
70	City Administrator	36,418	6,787	1,729	8,515	17,201	0	($17,201)
71	Real Estate	0	0	0	0	0	0	$0
72	County Agriculture	6,483	4,569	3,533	8,102	16,366	0	($16,366)

City and County of San Francisco
Department of Human Resources
Workers Compensation Division

Workers' Compensation Expenditures

July 2000 through December 2000

FAMIS	Department	1999-2000 Actual	First Quarter	Second Quarter	6-Month Total	2000-2001 Projection	2000-2001 Budget	Surplus/ (Deficit)
74	Medical Examiner/Coroner	56,464	24,913	135,849	160,761	324,738	0	($324,738)
76	Animal Control	8,513	5,520	5,817	11,337	22,900	0	($22,900)
77	Emergency Communications	99,490	41,416	39,949	81,365	164,356	88,523	($75,833)
79	Public Administrator	56,227	7,904	88	7,993	16,145	0	($16,145)
80	Registrar	7,516	3,966	3,409	7,375	14,897	0	($14,897)
81	CHN-Primary Care	265,592	69,713	80,514	150,226	303,457	263,887	($39,570)
81	CHN-Forensics	295,313	54,734	51,764	106,498	215,126	362,721	$147,595
81	CHN-General Hospital	3,222,711	765,864	749,562	1,515,427	3,061,162	3,466,402	$405,240
81	CHN-Laguna Honda	2,898,258	673,402	636,290	1,309,692	2,645,578	2,836,045	$190,467
Total DPH - CHN		6,681,874	1,563,713	1,518,130	3,081,843	6,225,323	6,929,055	703,732
82	PHP-Mental Health	746,402	89,621	79,978	169,598	342,589	686,605	$344,016
82	PHP-Central Office	394,525	75,181	82,264	157,446	318,040	403,647	$85,607
Total DPH - PHP		1,140,927	164,802	162,242	327,044	660,629	1,090,252	429,623
93	Convention Facilities	82	(1,606)	0	(1,606)	(1,606)	68,020	$69,626
35	Muni - Total	19,155,442	4,524,849	4,824,719	9,349,569	18,886,129	19,000,000	$113,871
								1,631,887
Total GF & GF Supported Depts		$48,797,545	$11,572,127	$12,639,019	$24,211,146	$48,523,011	$49,021,543	$498,532
Total All Other Depts		$6,794,014	$1,452,568	$1,665,307	$3,117,874	$6,300,434	$7,218,257	$917,823
Total All City Depts		$55,591,559	$13,024,695	$14,304,326	$27,329,020	$54,823,445	$56,239,800	$1,416,355

Note: WC expenditures for small departments that show no budget amount are budgeted in Human Resources.

Straight-line projection based on July through December actual, plus 2% adjustment for 2nd half year
(except any negative spending at 6 month is projected at zero at year end).
Sheriff's projection was adjusted by one time extraordinary item-$385,880.

y and County of San Francisco

FICE OF THE SHERIFF

Michael Hennessey
SHERIFF

415 - 554 - 7225

MEMORANDUM

Reference 01-007

TO: Finance and Labor Committee Members

FROM: Michael Hennessey, Sheriff

DATE: January 2, 2001 (Revised January 23, 2001)

SUBJECT: Request to Release Reserve on Workers Compensation Funds

Recommended Action

Release the reserve on $501,096 of the Sheriff's Department workers compensation funds in the 2000-01 budget.

Background

As part of your committee's deliberations on the Sheriff's Department's 2000-01 budget, you reserved $501,096 of our total workers compensation budget of $1,394,399. Based on our current spending rate, we project that we will have exhausted the funds currently available by the second quarterly billing. Therefore, we are requesting release of the reserve.

Analysis/Reason for Recommendation

Through the end of December, 2000, with the exception of one claim, workers compensation expenditures for the Sheriff's Department totaled $661,132, or approximately $110,189 per month, for projected spending of $1,322,268, or approximately 5% less than our budget of $1,394,399. However, in November, there was an extraordinary claim that totaled $385,880, which brings total projected spending for the year to $1,708,144, and requires that we request this release in

January, 2001, to have sufficient funding to pay this extraordinary claim as well as our second quarter workers compensation expenditures. We plan to submit a supplemental appropriation request in the spring to address this extraordinary, unbudgeted claim.

Fiscal Implications:

Working with the Mayor's Office, we established our 2000-01 workers compensation budget based on expenditure rates experienced in 1999-2000. As shown above, without the extraordinary claim, we would be within our workers compensation budget for this fiscal year.

We do not make a practice of including such large claim settlements in our regular budget because the amount is usually not predictable, relying on several possible outcomes. Instead, we believe it more prudent to budget a reasonable expenditure rate and request a supplemental appropriation if and when a large claim occurs.

The Workers Compensation Division previously projected the Sheriff's Department would end the year with a deficit in its workers compensation account of $0.8 million based on a straight-line projection including this extraordinary claim. We believe that, except for this claim, and presuming no other large settlements, the shortfall in this account would be no more than the amount of the claim, that is, $385,880, based on expenditures through November 2000.

Consequences of Negative Action: Without the release of this reserve, we will have insufficient funds available in our workers compensation budget to cover the second quarter billing from the Workers Compensation Division.

If you have any questions or comments, please contact Jean Mariani at (415) 554-4316.

cc: Gloria Young, Clerk of the Board
Mary Red, Clerk, Finance and Labor Committee
Steve Kawa, Mayor's Office
Edward Harrington, Controller
Harvey Rose, Budget Analyst

Items 7, 8, and 9 - Files 01-0150, 00-0276, and 01-0149

Note: An earlier version of the proposed ordinances (Files 00-0276 and 01-0149) was considered under File 99-1304, and an earlier version of the proposed resolution adopting the final negative declaration (File 01-0150) was considered under File 99-1307. Both of these earlier versions of the subject legislation were continued at the February 9, 2000 meeting of the Finance and Labor Committee.

Departments: Department of Building Inspection (DBI)
Mayor's Office of Housing (MOH)
Planning Department

Item: File 01-0150

Resolution adopting final negative declaration, finding and determining that the Jobs-Housing Linkage Ordinance will have no significant impact on the environment, and adopting and incorporating findings of final negative declaration.

File 00-0276

Ordinance amending Article III, Chapter II, Part II of the San Francisco Municipal Code (Planning Code) by amending Sections 313, 313.1, 313.2, 313.3, 313.4, 313.5, 313.6, 313.7, 313.8, 313.9, 313.10, 313.11, 313.12, 313.13, and 313.14, to rename the "Office Affordable Housing Production Program" as the "Jobs-Housing Linkage Program," to apply the program to all new and expanded hotel space of at least 25,000 square feet, to all new and expanded entertainment space of at least 25,000 square feet, to all new and expanded retail space of at least 25,000 square feet, and to all new and expanded research and development space of at least 25,000 square feet; to set forth the number of affordable housing units to be constructed for each type of development subject to this ordinance; to increase the number of affordable housing units and fees for office developments; and by adding Section 313.15 to require a study every five years determining the demand for housing created by commercial development.

File 01-0149

Ordinance amending Article III, Chapter II, Part II of the San Francisco Municipal Code (Planning Code) by amending Sections 313, 313.1, 313.2, 313.3, 313.4, 313.5, 313.6, 313.7, 313.8, 313.9, 313.10, 313.11, 313.12, 313.13, and 313.14, to rename the "Office Affordable Housing Production Program" as the "Jobs-Housing Linkage Program," to apply the program to all new and expanded hotel space of at least 25,000 square feet, to all new and expanded entertainment space of at least 50,000 square feet, and to all other new and expanded retail space of at least 100,000 square feet; to set forth the number of affordable housing units to be constructed for each type of development subject to this ordinance; to set forth fees for each type of development subject to this ordinance; to increase the number of affordable housing units and fees for office developments; and by adding Section 313.15 to require a study every five years determining the demand for housing created by commercial development.

Description:

The current Office Affordable Housing Production Program was established in 1985 under Planning Code Section 313. This program linked the development of office buildings to the demand for affordable housing by requiring that the developers of offices over 50,000 square feet either build affordable housing or pay an in lieu fee. A 1990 amendment to the Planning Code reduced the threshold size for office developments from 50,000 to 25,000 square feet. Therefore, the current ordinance requires developers of office space which meet or exceed the 25,000 square feet threshold to either:

- Build one affordable housing unit for every 6,250 square feet of new and expanded office space constructed. This represents 16 affordable housing units for every 100,000 square feet of new and expanded office space constructed; or
- Pay an in lieu fee of $7.05 for each square foot of new and expanded office space constructed to the Citywide Affordable Housing Fund in lieu of building affordable housing units.

The two proposed ordinances (Files 00-0276 and 01-0149) would extend the Office Affordable Housing Production Program, to be renamed the "Jobs-Housing Linkage Program," to also cover new and expanded hotel, entertainment, and retail space. Furthermore, under File 00-0276 (but not under File 01-0149), the Jobs-Housing Linkage Program would also cover research and development space as a separate category. Table 1 below compares the key changes contained in the two proposed ordinances from the existing Office Affordable Housing Production Program.

Table 1: Comparison of key changes contained in the two proposed ordinances

	File 00-0276		File 01-0149	
Program applies to following new and expanded spaces which meet, or exceed, the specified square footage:	Office (unchanged) Hotel Entertainment Retail Research & Development	25,000 25,000 25,000 25,000 25,000	Office (unchanged) Hotel Entertainment Retail	25,000 25,000 50,000 100,000
Number of affordable housing units to be constructed per 100,000 sq. ft of new and expanded space (pro-rated):	Office (unchanged) Hotel Entertainment Retail Research & Development	16 11 14 14 20	Office (unchanged) Hotel Entertainment Retail	16 11 14 14
In lieu fee payable by developers instead of constructing affordable housing units, per additional gross sq. foot, Mar. 11, 1999 (retroactive) through Dec. 31, 2001:	Office (current fee = $7.05) Hotel* Entertainment* Retail* Research & Development*	$11.34 $8.50 $10.57 $10.57 $7.55	Office (current fee = $7.05) Hotel* Entertainment* Retail*	$10.00 $4.25 $5.29 $5.29

* No fees are charged under the existing Office Affordable Housing Production Program.

	File 00-0276	File 01-0149
In lieu fee per additional gross sq. foot, Jan. 1, 2002 onwards:	Office (current fee = $7.05) $14.96 Hotel* $11.21 Entertainment* $13.95 Retail* $13.95 Research & Development* $9.97	Office (current fee = $7.05) $14.00 Hotel* $4.25 Entertainment* $5.29 Retail* $5.29
Fee revisions:	To be revised annually from January 1, 2003.	To be revised annually from November 1, 2001.
Program does not apply to the following[1]:	Mission Bay North and South development projects which are consistent with redevelopment plans and interagency cooperation agreements approved by the Board of Supervisors[2]. Pharmacies and grocery stores which would benefit areas underserved by such retail uses.	Mission Bay North and South development projects which are consistent with the redevelopment plans and interagency cooperation agreements approved by the Board of Supervisors.

* No fees are charged under the existing Office Affordable Housing Production Program.

Under both proposed ordinances, commercial property developers would be given a third mitigation payment option in addition to either constructing affordable housing or paying the in lieu fee. Commercial property developers would be able to contribute land, of equivalent value to the in lieu fee, to affordable housing developers to construct the specified number of affordable housing units on the commercial property developers' behalf[3]. However,

[1] The existing ordinance exempts commercial property developments on land which is owned by Federal or State governments, or which is under the jurisdiction of the San Francisco Redevelopment Agency or the Port Authority. Both of the proposed ordinances would further exempt Mission Bay redevelopment projects under certain circumstances. The ordinance under File 00-0276 would further exempt pharmacies and grocery stores which would benefit areas underserved by such retail uses.

[2] According to Ms. Bauman, the Mission Bay North Redevelopment Plan and Interagency Cooperation Agreement were approved by the Board of Supervisors on October 26, 1998 (Ordinance 327-98), while the Mission Bay South Redevelopment Plan and Interagency Cooperation Agreement were approved by the Board of Supervisors on November 2, 1998 (Ordinance 335-98).

[3] If a developer chooses to contribute land for affordable housing developments in lieu of the other mitigation payment options, then the value of the land must be equal to, or greater than, the in lieu fees otherwise payable. Therefore, both proposed ordinances would require an appraisal report, as

only File 01-0149 further specifies that such land should be "suitable for housing use."

The proposed final negative declaration (File 01-0150) was adopted on April 27, 1999 by the Planning Commission which found that there was no substantial evidence that an extended Jobs-Housing Linkage Program would have a significant impact on the environment.

Comments:

1. Developers of new office space larger than 25,000 square feet are required under the existing Office Affordable Housing Production Program to either (a) construct a specified number of affordable units themselves, or (b) pay a fee of $7.05 per square foot to the Citywide Affordable Housing Fund in lieu of building affordable housing[4]. The in lieu fee was set at $7.05 in 1994 and has not been increased since that time, despite the existing law's provision permitting the Planning Department to impose increases of up to 20 percent annually based on increases to the *Average Area Purchase Price Safe Harbor Limitations for New Single-Family Residences for the San Francisco Primary Metropolitan Statistical Area* (PMSA), published by the Internal Revenue Service. In the event that the Internal Revenue Service does not adjust its PMSA statistics within a 14-month period, the current ordinance allows the Planning Commission to authorize a study for adjusting the last published Internal Revenue Service figure, to be effective until the Internal Revenue Service revises its PMSA statistics. Since the Internal Revenue Service has not published an update to its report since 1994, the Mayor's Office of Housing has contracted with private experts to obtain average area purchase price analyses for the San Francisco PMSA in 1998 and 2000. The 2000 report, prepared by Vernazza Wolfe Associates, indicates a 73.3 percent increase in purchase price figures for new

defined by the Uniform Standards of Professional Appraisal Practice, to be prepared by a Member of the Appraisal Institute, which determines the fair market value of any land being contributed.

[4] The in lieu fee is payable to the Planning Department prior to the Department of Building Inspection issuing the first building permit for a new development. Therefore, the in lieu fee must be paid before any construction can begin. If, during construction, the type or square footage of a development changes, then the developer must go back to the Planning Department and the Department of Building Inspection for consideration of the change.

construction during the five-year period between 1994 and 1999. If the in lieu fee for new and expanded office space had also been increased by 73.3 percent, it would now be $12.22 per square foot.

2. According to Mr. Costolino Hogan of the Planning Department, the $7.05 fee has not been increased since 1994 because the Planning Department has not considered the matter. Both Mr. Hogan and Mr. Joe LaTorre of the Mayor's Office of Housing note that the City's real estate market was flat in the period between 1994 and 1998. Mr. LaTorre states that by 1998, when the real estate market was rising in cost and the Internal Revenue Service had not issued new PMSA statistics, the MOH contracted for new statistical information which was made available to the Planning Department.

Office, Hotel, Entertainment, and Retail Space

3. Under the two proposed ordinances (Files 00-0276 and 01-0149), the Jobs-Housing Linkage Program would be extended to cover development of the following new and expanded spaces:

(a) Hotel spaces 25,000 square feet or more.
(b) Entertainment spaces either 25,000 square feet or more (File 00-0276), or 50,000 square feet or more (File 01-0149).
(c) Retail spaces either 25,000 square feet or more (File 00-0276), or 100,000 square feet or more (File 01-0149).

Neither of the proposed ordinances would apply to commercial property developments which construct less space than the square footage thresholds specified above.

4. According to Ms. Catherine Bauman of the Planning Department, most office developers currently choose to pay the in lieu fee, rather than build the required number of affordable housing units. Mr. LaTorre states that the in lieu fee revenue is held in the Citywide Affordable Housing Fund administered by the Planning Department which provides loans to affordable housing developers, subject to the approval of the Director of Planning, in

accordance with the existing Office Affordable Housing Production Program ordinance previously approved by the Board of Supervisors. Mr. LaTorre states that the Mayor's Office of Housing makes recommendations to the Director of Planning as to which proposed affordable housing developments are in conformity with the subject legislation and the City's overall goals for housing development and which, therefore, are eligible to receive development funds from the Citywide Affordable Housing Fund and other funding sources.

5. The two proposed ordinances (Files 00-0276 and 01-0149) provide that equivalent numbers of affordable housing units would be constructed by developers to meet the requirements of the Jobs-Housing Linkage Program for new and expanded office, hotel, entertainment, and retail space. However, the proposed in lieu fees payable by developers if they choose not to construct affordable housing themselves differ in the two proposed ordinances, as shown in Table 2 below.

Table 2: Comparison of proposed in lieu fees

Category of space	Proposed Fee File 01-0149	Proposed Fee File 00-0276	Percentage Difference in Fees Under File 00-0276 Over File 01-0149
March 11, 1999 through Dec. 31, 2001			
Office	$10.00	$11.34	13.40
Hotel	$4.25	$8.50	100.00
Entertainment	$5.29	$10.57	99.81
Retail	$5.29	$10.57	99.81
January 1, 2002 onwards			
Office	$14.00	$14.96	6.86
Hotel	$4.25	$11.21	163.76
Entertainment	$5.29	$13.95	163.71
Retail	$5.29	$13.95	163.71

6. Ms. Audrey Williams Pearson of the City Attorney's Office states that there is no precise correlation between

the number of affordable housing units and the in lieu fee levels which would be required under the two proposed ordinances. The level at which in lieu fees are set, and the differentiation between fee levels for different categories of space (office, hotel, entertainment, or retail), are policy decisions for the Board of Supervisors.

Estimated Fee Revenues for New and Expanded Office, Hotel, Entertainment, and Retail Space

7. Adoption of either proposed ordinance would result in increased revenues for the Citywide Affordable Housing Fund, or other benefits such as increased numbers of affordable housing units built by developers, or increased contributions of land or money to affordable housing developers. To determine the extent of such benefits, the Budget Analyst used construction estimates prepared by the Planning Department for the ten-year period 2000 through 2010. Ms. Bauman states that the estimates provided by the Planning Department are based on what the Planning Department estimates is (a) the demand for new and expanded office, hotel, entertainment, and retail space in the City, and (b) the employment demand which would result from such development, consistent with the Association of Bay Area Governments' regional employment projections through 2010. The Planning Department estimates for the 10 year period from Year 2000 through Year 2010 that there may be construction of:

(a) Approximately 9,600,000 square feet of new office space.
(b) Approximately 1,200,000 square feet of new hotel space.
(c) Approximately 2,400,000 square feet of new entertainment and retail space.

This represents a total of 13,200,000 square feet of new office, hotel, entertainment, and retail space in the City which could be subject to the Jobs-Housing Linkage Program. If all 13,200,000 square feet of such office, hotel, entertainment, and retail space were constructed, then the Citywide Affordable Housing Fund would realize

the maximum estimated in lieu fee revenues shown in Table 3 below, assuming that:

- All of the constructed square footage is in developments which meet the square footage thresholds, which are higher for some categories under File 01-0149. This would be somewhat more likely under the File 00-0276 proposal which has lower thresholds for new and expanded entertainment and retail space than the File 01-0149 proposal.
- None of the constructed square footage falls within the proposed ordinances' permitted exemptions.
- All developers would choose to pay in lieu fees instead of either building affordable housing themselves, or contributing money and land of an equivalent value to affordable housing developers.

Table 3: Estimated Revenue from Expanded Jobs-Housing Linkage Program, 2000-2010, Based on Planning Department Estimates of New and Expanded Office, Hotel, Entertainment, and Retail Space

Space Category	Proposed Fees	Square Footage Subtotal	Square Footage Total	Fee Subtotal	In Lieu Fee Total if 100% of New Space Meets Ordinance Criteria	In Lieu Fee Total if 50% of New Space Meets Ordinance Criteria
File 00-0276						
Office	$11.34 through 12/31/01	1,920,000		$21,772,800		
	$14.96 from 01/01/02	7,680,000		114,892,800		
			9,600,000[5]		$136,665,600	$68,332,800
Hotel	$8.50 through 12/31/01	240,000		2,040,000		
	$11.21 from 01/01/02	960,000		10,761,600		
			1,200,000		12,801,600	6,400,800
Enter-tainment /Retail	$10.57 through 12/31/01	480,000		5,073,600		
	$13.95 from 01/01/02	1,920,000		26,784,000		
			2,400,000		31,857,600	15,928,800
TOTAL			13,200,000		$181,324,800	$90,662,400
File 01-0149						
Office	$10.00 through 12/31/01	1,920,000		$19,200,000		
	$14.00 from 01/01/02	7,680,000		107,520,000		
			9,600,000[6]		$126,720,000	$63,360,000
Hotel	$4.25		1,200,000		5,100,000	2,550,000
Enter-tainment /Retail	$5.29		2,400,000		12,696,000	6,348,000
TOTAL			13,200,000		$144,516,000	$72,258,000

[5] Under File 00-0276, it is likely that some office space would be reclassified as "research and development" space which would not be subject to Proposition M office development ceilings. (See Comment No. 9.)

[6] Under File 01-0149, some space which would be considered "research and development" space under File 00-0276 would instead be covered by this proposed ordinance's expanded definition of office space, and would therefore be subject to Proposition M office development ceilings. (See Comment No. 10.)

The above table assumes that 20 percent of estimated projects would require developers to pay in lieu fees prior to December 31, 2001 at the lower in lieu fee rates, while the remaining 80 percent of estimated projects would require developers to pay in lieu fees at the higher in lieu fee rates from January 1, 2002 onwards.

8. Therefore, the Planning Department's estimated increase of 13,200,000 square feet of new office, hotel, entertainment, and retail space in the City could provide maximum estimated in lieu fee revenues of $181,324,800 under File 00-0276, or $144,516,000 under File 01-0149, a difference of $36,808,800 more under File 00-0276, during the ten-year period between 2000 and 2010. Of this amount, $136,665,600 under File 00-0276, or $126,720,000 under File 01-0149, a difference of $9,945,600 more under File 00-0276, would be generated by new office development which is already covered by the current ordinance. Therefore, the balance of $44,659,200 under File 00-0276 (comprising $12,801,600 for new hotel space and $31,857,600 for new entertainment and retail space), or $17,796,000 under File 01-0149 (comprising $5,100,000 for new hotel space and $12,696,000 for new entertainment and retail space), a difference of $26,863,200 more under File 00-0276, would be generated by the proposed extension of the Jobs-Housing Linkage Program to cover new and expanded hotel, entertainment, and retail developments.

However, due to the assumptions listed in Comment No. 7, it unlikely that in lieu fee revenue would be as high as $181,324,800 under File 00-0276, or $144, 516,000 under File 01-0149, because it is unlikely that (a) all the estimated square footage would be constructed, (b) all the constructed space would exceed the threshold amounts, and (c) none of the developments would be exempted. Furthermore, some developers might choose to build affordable housing themselves, or contribute money or land of an equivalent value to affordable housing developeı s, rather than pay an in lieu fee.

As shown in Table 3, even if only 50 percent of the maximum estimated in lieu fee revenue was available during the ten-year period between 2000 and 2010, File

00-0276 could generate an estimated $90,662,400, while File 01-0149 could generate an estimated $72,258,000.

Research and Development Space

9. Only File 00-0276 proposes extending the Jobs-Housing Linkage Program to cover new and expanded research and development space of 25,000 square feet or more as a separate category. Such space is defined as space:

> ... intended or primarily suitable for basic and applied research or systematic use of research knowledge for the production of materials, devices, systems, information or methods, including design, development and improvement of products and processing, including biotechnology, which involves the integration of natural and engineering sciences and advanced biological techniques using organisms, cells, and parts thereof for products and services, excluding laboratories which are defined as light manufacturing uses ....

Ms. Bauman advises that the Planning Department does not separately collect information on the construction of such research and development space. Therefore, the Planning Department is unable to provide an estimate of the in lieu fee revenues based on such a category of space.

10. By contrast, File 01-0149 proposes an expanded definition of office space which might include components of File 00-0276's proposed research and development space, such as computer and data processing services, multimedia, and research and development of any computer-based technology (excluding life sciences research and laboratories).

Final Negative Declaration

11. The final negative declaration (File 01-0150) was approved by the Planning Commission on April 27, 1999 prior to submission of the two proposed ordinances. On December 6, 2000, Ms. Lisa Gibson of the Planning Department conducted a subsequent review of the two

proposed ordinances (Files 00-0276 and 01-0149) and found that they would not have immediate physical consequences or create substantial, unanticipated growth, and that individual affordable housing developments using Jobs-Housing Linkage Program funds or land would each be subject to Planning Department review of project-specific environmental impacts. Therefore, Ms. Gibson determined that the conclusions reached in the final negative declaration adopted and issued on April 27, 1999 remain valid and that no supplemental environmental review is required.

Recommendation: Approval of either of the two proposed ordinances, File 00-0276 or File 01-0149, and approval of the proposed resolution (File 01-0150), are policy matters for the Board of Supervisors.

Harvey M. Rose

Supervisor Leno
Supervisor Peskin
Supervisor Gonzalez
Clerk of the Board
Controller
Steve Kawa

City and County of San Francisco
Meeting Minutes
Finance Committee

Members: Supervisors Mark Leno, Aaron Peskin and Matt Gonzalez

Clerk: Gail Johnson

Wednesday, February 14, 2001 | **10:00 AM** | **City Hall, Room 263**

Regular Meeting

Members Present: Mark Leno, Aaron Peskin, Matt Gonzalez.

MEETING CONVENED

The meeting convened at 10:05 a.m.

002146 **[Grant to develop a green building tool kit and support green building practices through training workshops]**

Supervisors Leno, Newsom

Resolution authorizing the Department of the Environment to accept and expend a grant in the amount of $72,450 from the California Integrated Waste Management Board. (Environment)

12/6/00, RECEIVED AND ASSIGNED to Public Health and Environment Committee.

2/5/01, TRANSFERRED to Finance Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Cal Broomhead, Department of the Environment.

RECOMMENDED.. by the following vote:

Ayes: 3 - Leno, Peskin, Gonzalez

010110 **[Lease of City-owned property at 850 Bryant Street]**

Resolution authorizing and approving lease of City-owned property located on the first floor of the Hall of Justice, 850 Bryant Street, to the Northern California Service League. (Real Estate Department)

1/19/01, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Anthony Delucchi, Director of Property, Real Estate Division, Administrative Services Department; Shirley Melnicoe, Executive Director, Northern California Service League.

RECOMMENDED.. by the following vote:

Ayes: 3 - Leno, Peskin, Gonzalez

010111 **[Lease of City-owned property at 400 McAllister Street]**

Resolution authorizing and approving lease of City-owned property located on the first floor of the Civic Center Courthouse, 400 McAllister Street, to the Northern California Service League. (Real Estate Department)

1/19/01, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Anthony Delucchi, Director of Property, Real Estate Division, Administrative Services Department; Shirley Melnicoe, Executive Director, Northern California Service League.

RECOMMENDED.. by the following vote:

Ayes: 3 - Leno, Peskin, Gonzalez

010146 **[Lease of property at 1360 Mission Street for DPH-Employee Assistance Program]**

Resolution authorizing a new lease of real property currently occupied by the City under the terms of an earlier lease at 1360 Mission Street, San Francisco, for a term of three years commencing retroactively as of July 1, 2000 at an initial monthly rent of $8,000 per month for the Employee Assistance Program of the Department of Public Health. (Real Estate Department)

1/24/01, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Judy Schutzman, Department of Public Health; Anthony Delucchi, Director of Property, Real Estate Division, Administrative Services Department; Theodore Lakey, Deputy City Attorney; Steve Alms, Real Estate Department.

CONTINUED TO CALL OF THE CHAIR by the following vote:

Ayes: 3 - Leno, Peskin, Gonzalez

ADJOURNMENT

The meeting adjourned at 11:12 a.m.

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

February 8, 2001

TO: Finance Committee

FROM: Budget Analyst

SUBJECT: February 14, 2001 Finance Committee Meeting

Item 1 – File 00-2146

Department: Department of the Environment

Item: Resolution authorizing the Department of the Environment to accept and expend a grant in the amount of $72,450 from the California Integrated Waste Management Board.

Amount: $72,450

Grant Period: December 1, 2000 through April 30, 2003 — approximately 29 months (see Comment No. 5)

Source of Funds: California Integrated Waste Management Board

Required Match: None (see Comment No. 1)

Indirect Costs: Indirect costs are not allowed by the granting agency.

Description: In July of 1999, the Board of Supervisors adopted the Resource Efficient Building (REB) ordinance, which established a REB program and assigned a number of responsibilities to the Department of the Environment, including: (1) developing and implementing a green

building training program, (2) providing information about green buildings to the public, thereby encouraging the adoption of resource-efficient building in the private sector, and (3) creating a pilot program to demonstrate innovative construction techniques, building materials, landscaping methods, and other resource-efficient building systems in municipal facilities. According to Mr. Cal Broomhead of the Department of the Environment, green building programs produce buildings that are healthier for the occupants and have less impact on the local and global environment than standard building programs.

The subject grant would fund the development of a green building tool kit and support green building practices through a series of training workshops, as required by the REB ordinance. The tool kit, including a general green building description, resource lists, sample specification and contract language, and other materials, will be developed for City staff, as well as for businesses and the general public. Each of the four training workshops will target a specific audience, including members of the Bureau of Architecture and Bureau of Engineering, departmental green building liaisons, and REB pilot project teams, including project managers, architects, engineers and facility managers. The first two training workshops would be conducted in June of 2001, and the other two training workshops would be conducted in January of 2002.

Budget: Attachment I, provided by the Department of the Environment, provides budget details to support the proposed project.

Comments: 1. As shown in Attachment I, although matching funds are not required by the granting agency, the Department has budgeted $45,000 in its Fiscal Year 2000-2001 budget, as approved by the Board of Supervisors, in additional funding for this project. According to Mr. Broomhead, the Department does not expect to budget additional funds in future fiscal years for the proposed project. To date, none of the subject grant funds have been expended.

2. Of the $72,450 in subject grant funds, $450 would remain in the Department's budget to cover operating costs associated with the proposed project such as phone, fax, photocopying and mail, as shown in Attachment II. Contractual services would be provided by Global Green USA with the remaining grant funds of $72,000. Of the $72,000, $65,195 in subject grant funds would cover a portion of the personnel costs of developing and implementing the training workshops and designing the green tool kit. The remaining $6,805 would cover the operating expenses incurred by Global Green USA. As previously stated, $450 would remain in the Department's budget to cover the operating costs incurred by the Department, for a total of $7,255 in operating costs for the proposed project.

3. Global Green USA was selected on a sole source basis to work with the Department of the Environment to design and conduct training workshops and the green building tool kit. Global Green USA was selected on a sole source basis because of their expertise in the area of developing and implementing green building programs. According to Mr. Broomhead, Global Green's involvement is integral to both the successful application and implementation of this project. The application was submitted by Global Green USA to the Department of the Environment after the Department of the Environment received a letter from the City Attorney's Office stating the following: "We conclude that the San Francisco Charter and Administrative Code do not require a bidding process to select the non-profit agency the Department wants to work with or to utilize that non-profit to perform the work that is the subject of the grant, so long as the grant application to the State clearly describes the proposed plan, including the involvement of the non-profit, and the State has no objection."

4. Attachment II is a Grant Application Information Form, as prepared by DPH, which includes a Disability Access Checklist.

5. Attachment II states that the subject grant project schedule is from December of 2000 through May of 2002. However, Mr. Broomhead reports that the subject grant project schedule is actually from December 1, 2000 through April 30, 2003.

Recommendation: Approve the proposed resolution.

Exhibit D: BUDGET ITEMIZATION

Amended November 6, 2000

Proposed Budget for Program Implementation Project:
SF Environment

	Total Cost	REB Program Funds	Grant Request
Task 1: Develop Tool Kit			
1.1: Develop and Administer "Needs" Survey	$ 8,854	$4,855	$ 3,999
1.2: Analyze Survey Results	$ 4,251	$1,055	$ 3,196
1.3: Identify Existing Resources and Tool Kit Components for Development	$ 9,592	$2,095	$ 7,497
1.4: Develop Draft Tool Kit	$23,403	$7,400	$16,003
1.5: Develop Final Tool Kit	$ 18,131	$8,630	$ 9,501
Task 1 Subtotal			*$40,196*
Task 2: Develop and Conduct Training Workshops			
2.1: Develop Workshops	$24,630	$ 7,625	$17,005
2.2: Conduct Workshops	$21,334	$ 13,340	$ 7,994
Task 2 Subtotal			*$24,999*
Other Costs			
Printing—Tool Kit Materials	$2,000		$2,000
Graphic Design	$2,000		$2,000
Workshop Materials	$ 375		$ 375
Phone/Fax	$ 250		$ 250
Postage	$ 250		$ 250
Travel	$2,380		$2,380
Other Costs Subtotal			*$7,255*
TOTAL	*$117,450*	*$45,000*	*$72,450*

File Number: ______________________
(Provided by Clerk of Board of Supervisors)

Grant Information Form
(Effective January 2000)

Purpose: Accompanies proposed Board of Supervisors resolutions authorizing a Department to accept and expend grant funds.

The following describes the grant referred to in the accompanying resolution:

1. Grant Title: Green Building Tool Kit and Training Workshops

2. Department: Environment

3. Contact Person: Cal Broomhead Telephone: (415) 554-6390, (415) 934-4802

4. Grant Approval Status (check one):

   [ ] Approved by funding agency [X] Not yet approved

5. Amount of Grant Funding Approved or Applied for: $72,450
   $45,000 of REB program funds are already in the Department of the Environment budget.

6a. Matching Funds Required: $0
 b. Source(s) of matching funds (if applicable): N/A

7a. Grant Source Agency: California Integrated Waste Management Board
 b. Grant Pass-Through Agency (if applicable): N/A

8. Proposed Grant Project Summary: This project is designed to develop a green building tool kit and support green building practices through a series of training workshops. The tool kit, including resource lists, sample specification and contract language, and other materials, will be developed for City & County of San Francisco staff, as well as for businesses and residents in and beyond San Francisco's borders. Each of the workshops will target a specific audience such as architects, engineers, and departmental green building liaisons.

9. Grant Project Schedule, as allowed in approval documents, or as proposed:

   Start-Date: December, 2000 End-Date: May, 2002

10. Number of new positions created and funded: 0

11. If new positions are created, explain the disposition of employees once the grant ends? N/A

12a. Amount budgeted for contractual services: $72,000 ($450 will remain in the Department budget to cover hard costs for phone, fax, photocopying and mail.)

b. Will contractual services be put out to bid? No. The City Attorney has advised the Department of the Environment that bidding out the contractual services is not required unless bidding is required by the granting agency (which it does not).

c. If so, will contract services help to further the goals of the department's MBE/WBE requirements? N/A

d. Is this likely to be a one-time or ongoing request for contracting out? One-time

13a. Does the budget include indirect costs? [ ] Yes [X] No

b1. If yes, how much? $ N/A
b2. How was the amount calculated? N/A

c. If no, why are indirect costs not included?
[X] Not allowed by granting agency [ ] To maximize use of grant funds on direct services
[ ] Other (please explain):

14. Any other significant grant requirements or comments:

Disability Access Checklist*

15. This Grant is intended for activities at (check all that apply):

[ ] Existing Site(s)
[ ] Rehabilitated Site(s)
[ ] New Site(s)
[ ] Existing Structure(s)
[ ] Rehabilitated Structure(s)
[ ] New Structure(s)
[X] Existing Program(s) or Service(s)
[ ] New Program(s) or Service(s)

16. The Departmental ADA Coordinator and/or the Mayor's Office on Disability have reviewed the proposal and concluded that the project as proposed will be in compliance with the Americans with Disabilities Act and all other Federal, State and local access laws and regulations and will allow the full inclusion of persons with disabilities, or will require unreasonable hardship exceptions, as described in the comments section:

Comments:

Departmental or Mayor's Office of Disability Reviewer:______________________
(Name)

Date Reviewed:______________

Department Approval: Francesca Vietor Director
(Name) (Title)

Francesca Vietor

(Signature)

Item 2 – File 00-0110

Departments:	Administrative Services Department Real Estate Division (RED)
Item:	Resolution authorizing and approving a new lease of City-owned space located on the first floor of the Hall of Justice, 850 Bryant Street, to the Northern California Service League.
Location:	Room 106 and Room 116 of the Hall of Justice building located at 850 Bryant Street.
Lessor:	City and County of San Francisco
Lessee:	Northern California Service League
No. of Sq. Ft. and Cost Per Year Payable by the Lessee to the City:	621 sq. ft. at $1.00 per year.
Purpose of Lease:	Space for the Pre-release Program, which provides social services for jail inmates, and for a Children's Waiting Room for children whose parents have business with the Superior Court. The Northern California Service League currently occupies the subject 621 sq. ft. of City-owned space at 850 Bryant Street on a month-to-month basis.
Term of Lease:	March 1, 2001 through February 28, 2002 (one year)
Right of Renewal:	The lessee has 9 consecutive one-year options to extend the term of the lease.
Utilities Provided By Lessor:	The City will pay for all utilities.
Janitorial Services Provided by Lessee:	The lessee will be responsible for janitorial services within their leased space.
Description:	The proposed resolution would authorize a one year lease of the 294 sq. ft. of Room 106 and the 327 sq. ft. of Room 116, for a total of 621 sq. ft. of City-owned space at the Hall of Justice, to the Northern California Service

League. The Northern California Service League is a nonprofit organization that provides services to persons in, and recently released from jail or prison. The Northern California Service League has occupied Rooms 106 and 116 in the Criminal Courthouse at the Hall of Justice since 1991. As noted in the Attachment provided by the Real Estate Division, the Northern California Service League occupied the subject two rooms from 1991 to 1997 under two separate leases. According to Ms. Carla Lieske of the City Attorney's Office, since the termination of the two leases in 1997, under State Common Law the Northern California Service League has continued to occupy the subject rooms on a holdover basis under the provisions of the old leases. The Northern California Service League has paid the City $1.00 per year in rent for the subject space since 1991. The proposed lease would authorize the lease of the same space in Rooms 106 and 116 of the Hall of Justice to the Northern California Service League under one new consolidated lease.

The Northern California Service League operates both the Pre-release Program in Room 106 consisting of 294 sq. ft. and the Children's Waiting Room in Room 116 consisting of 327 sq. ft. The Pre-release Program provides educational programs, parenting classes, and counseling for jail inmates. The Pre-release Program has three staff members, including an Administrator and two Counselors, and approximately 10 volunteers. Ms. Jean Medlar of the Real Estate Division reports that most of the Pre-release Program activities with inmates take place in the City's jails. The Children's Waiting Room is a childcare center for children whose parents have business with the Superior Court. The Children's Waiting Room has two staff members, one Coordinator and one Assistant, who provide childcare to a maximum of 8 children at any given time. Ms. Medlar reports that the Children's Waiting Room is open for use between the hours of 8:30 a.m. to 12 p.m., and 1 p.m. to 4:30 p.m., Monday through Friday, on days when the Superior Court is in session. According to Ms. Medlar, the Children's Waiting Room is available for use by persons using the Superior Court (such as family court clients, criminal defendants and jurors), at no charge, but is not available as a permanent childcare facility for court employees.

Comments:

1. According to Ms. Medlar, the 621 sq. ft. of space at the Hall of Justice has a fair market value of approximately $3.75 per sq. ft. per month, totaling $27,945 in rent per year. Ms. Medlar states that because the Pre-release Program and the Children's Waiting Room provide a public benefit to the City, the rent for the subject properties paid by the Northern California Service League to the City is $1.00 annually, the same rent which the Northern California Service League has paid the City since 1991.

2. Item 3, File 01-0111, of this report to the Finance Committee pertains to another lease of City-owned property to the Northern California Service League for a Children's Waiting Room in the Civic Center Courthouse.

Recommendation: Approval of the proposed resolution is a policy matter for the Board of Supervisors.

Attachment

City and County of San Francisco

Real Estate Division
Administrative Services Department

MEMORANDUM

February 6, 2001

TO: Harvey M. Rose
Budget Analyst, Board of Supervisors

FROM: Anthony J. DeLucchi
Director of Property

SUBJECT: History of Leases to Northern California Service League
For Children's Waiting Room and Pre-release Program

On 1/29/91, Northern California Service League leased two rooms located on the main floor of the Hall of Justice at 850 Bryant Street from the City and County of San Francisco, authorized by Ordinance Numbers 20-91 and 21-91. Each room was given a separate lease under the same terms and conditions. These leases were for room 106, the Children's Waiting Room, and room 116, the Pre-release Program. The courts had requested that such programs be established. Due to the public benefit that these programs offer, each room was leased at the below market rate of $1 per annum for a two year period, with two additional two year extensions. At the expiration of both lease extensions in 1997, their service to the City and County of San Francisco continued on a month-to-month basis.

Northern California Service League and the Civic Center Courthouse arranged to provide space for a Children's Waiting Room in room 111 at 400 McAllister Street. This was recently brought to our attention.

Many lease provisions apply to the building in which the rooms are located. It would be redundant to give separate leases to a tenant who leases multiple rooms in a single building. Therefore, we are proposing that Northern California Service League be given one lease for each building. We propose that one lease for room 111 in the Civic Center Courthouse and one for rooms 106 and 116 in the Hall of Justice be given.

If you need additional information, please call Jean Medlar at 554-9887.

cc Anna Weinstein, Associate Budget Analyst

Item 3 – File 00-0111

Departments:	Administrative Services Department Real Estate Division (RED)
Item:	Resolution authorizing and approving a new lease of City-owned space located on the first floor of the Civic Center Courthouse, 400 McAllister Street, to the Northern California Service League.
Location:	Room 111 of the Civic Center Courthouse located at 400 McAllister Street.
Lessor:	City and County of San Francisco
Lessee:	Northern California Service League
No. of Sq. Ft. and Cost Per Year Payable by the Lessee to the City:	1,760 sq. ft. at $1.00 per year.
Purpose of Lease:	Space for a Children's Waiting Room for children whose parents have business with the Superior Court. The Northern California Service League has currently occupied the subject 1,760 sq. ft. of City-owned space at 400 McAllister Street without any type of lease agreement in place since 1998.
Term of Lease:	March 1, 2001 through February 28, 2002 (one year)
Right of Renewal:	The lessee has 9 consecutive one-year options to extend the term of the lease.
Utilities Provided By Lessor:	The City will pay for all utilities.
Janitorial Services Provided by Lessee:	The lessee will be responsible for janitorial services within their leased space.
Description:	The proposed resolution would authorize a one year lease of 1,760 sq. ft. of City-owned space in Room 111 at the Civic Center Courthouse to the Northern California Service League. The Northern California Service League

is a nonprofit organization that provides services to persons in, and recently released from jail or prison. The Northern California Service League has occupied Room 111 in the Civic Center Courthouse since 1998. According to Ms. Jean Medlar of the Real Estate Division, since 1998, the subject property has been occupied without any type of lease agreement, and no rent has been charged to the Northern California Service League by the City to date. According to Mr. Gordon Park-Li of the Trial Courts, there is presently no authority for the Northern California Service League occupying this space without an agreement in place and with no rental charge being paid to the City.

The Northern California Service League operates the Children's Waiting Room in Room 111 of the Civic Center Courthouse. The Children's Waiting Room is a childcare center for children whose parents have business with the Superior Court. The Children's Waiting Room has two staff members, one Coordinator and one Assistant, who provide childcare to a maximum of 15 children at any given time. Ms. Medlar reports that the Children's Waiting Room is open for use between the hours of 8:30 a.m. to 12 p.m., and 1 p.m. to 4:30 p.m., Monday through Friday, on days when the Superior Court is in session. According to Ms. Medlar, the Children's Waiting Room is available for use by persons using the Superior Court (such as family court clients, criminal defendants and jurors), at no charge, but is not available as a permanent childcare facility for court employees.

Comments:

1. According to Ms. Medlar, the 1,760 sq. ft. of space at the Civic Center Courthouse has a fair market value of approximately $3.25 per sq. ft. per month, totaling $68,640 in rent per year. Ms. Medlar states that because the Children's Waiting Room provides a public benefit to the City, the rent for the subject property to be paid by the Northern California Service League to the City will be $1.00 annually.

2. Item 2, File 01-0110, of this report to the Finance Committee pertains to another lease of City-owned property to the Northern California Service League for a Children's Waiting Room in the Hall of Justice.

Recommendation: Approval of the proposed resolution is a policy matter for the Board of Supervisors.

Item 4 - File 01-0146

Department: Department of Public Health (DPH)
Department of Administrative Services, Real Estate Division (RED)

Item: Resolution authorizing a new lease of space currently occupied by the City on a month-to-month basis under the provisions of a prior lease at 1360 Mission Street for a term of three years commencing retroactively to July 1, 2000 at an initial monthly rent of $8,000 per month for the Employee Assistance Program of the Department of Public Health

Location: 1360 Mission Street, fourth floor

Purpose of Lease: To provide space for the Department of Public Health's Employee Assistance Program, which has been located in the same space at 1360 Mission Street since 1990. The Employee Assistance Program is currently on a month-to-month lease as set forth in a holdover provision in the prior lease. The Employee Assistance Program provides counseling to City employees on personal issues affecting their ability to work.

Lessor: VILO Properties, Inc.

Lessee: City and County of San Francisco

No. of Sq. Ft. and Cost Per Month: 2,911 square feet at approximately $2.75 per square foot per month. The rent would be subject to an annual increase of five percent each year over the three-year term of the lease.

Cost: $8,000 monthly, or $96,000 annually

Increase in Cost: Under the prior lease, which expired July 1, 2000, the City paid a monthly rent of $3,847, or $46,164 annually. That lease agreement contained a provision stating that rent during a month-to-month holdover period would be charged at 150 percent of the previous rent. Thus, the rent increased as of June 30, 2000 from approximately $3,847 per month, or $1.32 per square foot per month to $5,770 per month or $1.98 per square foot per month, or 150 percent of the prior rental rate. The City has been paying this increased rental rate of $3,847 per month since July 1, 2000. Under the proposed lease, the rent would increase by an additional $2,230 per

month or $0.77 per square foot, or by 38.6 percent, from the previous holdover rent of $5,770 per month, or $1.98 per square foot, to $8,000 per month, or $2.75 per square foot. The prior 10 year and two month lease began on April 1, 1990 and ended June 30, 2000.

Term of Lease: July 1, 2000 through June 30, 2003 (three years).

Utilities and Janitorial Services: Landlord to pay for all utilities and services.

Right of Renewal: Two three-year options to renew after the expiration of the initial term of the three-year lease, with the rent to be set at 95% of the market rate[1].

Source of Funds: DPH's FY 2000-2001 budget, as previously approved by the Board of Supervisors.

Description: According to Ms. Judy Schutzman of DPH, the proposed leased premises would continue to be occupied by a total of six staff members of the DPH Employee Assistance Program. These six staff members provide free individual and group counseling to employees of the City and County of San Francisco for personal issues that effect their ability to work. Counseling includes topics such as communication and conflict resolution, anger management, stress management, separation and divorce, balancing work and family issues, and dealing with difficult people.

Comments: 1. According to Ms. Schutzman, approximately 30 percent or 873 of the 2,911 square foot office at 1360 Mission Street is made up of individual and group counseling areas used to service clients of the Employee Assistance Program. Additionally, the Employee Assistance Program currently employs one full time consultant, and typically has between one and four interns working at 1360 Mission space at any given time. The balance of approximately 70 percent or 2,038

[1] The prevailing market rate would be determined pursuant to a provision in the subject proposed lease that would require that (1) the landlord propose a rate as the prevailing market rate, (2) the City make a counter-proposal if the proposed rate is not agreeable, (3) if no agreement is reached, both parties meet no less than twice to attempt to resolve any disagreement, and (4) if disagreements are not resolved, both parties participate in a process to select a neutral appraiser, whose appraisal would then be considered the prevailing market rate.

square feet of space is typically occupied by eight to 11 employees, providing an average of approximately 185 to 255 square feet per employee.

2. Mr. Alms advises that since the proposed rental rate of $2.75 per square foot was negotiated in October of 2000, the commercial real estate market has softened somewhat. However Mr. Alms advises that the proposed rental rate of $2.75 is still considered equal to or below current fair market value which Mr. Alms estimates to be approximately $3.00 per square foot per month. Mr. Alms notes that the second floor (the Employee Assistance Program is located on the fourth floor) in the subject building at 1360 Mission Street rented at a rate of approximately $3.25 per square foot per month[2] as recently as November 15, 2000.

3. According to Mr. Alms, the lease period would officially commence retroactive to July 1, 2000, approximately eight months prior to approval of the Board of Supervisors, because the landlord, VILO Properties made the retroactive commencement date of July 1, 2000 a condition of entering into the lease agreement. Mr. Alms notes that negotiations over the proposed new lease commenced well before the end of the original lease on June 30, 2000. However a final agreement with the landlord was only reached in January of 2001.

4. Under the proposed lease, the City would be required to pay the lessor the difference between the current monthly rent of $5,770 and the proposed monthly rent of $8,000, an increase of 38.6 percent or $2,230, retroactive to July 1, 2000. If the proposed lease were approved by the Board of Supervisors on or about March 1, 2000, the City would be required to pay VILO Properties a total retroactive payment of $17,840 ($2,230 multiplied by eight months).

5. The proposed lease includes a provision allowing the landlord to terminate the lease at any time after September 30, 2002 by providing the City with nine months notice. According to Mr. Alms, a real possibility exists for the

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[2] According to Mr. Alms, the base rent of this space was $3.00 per square foot per month. However, the tenants are required to pay utilities and services in that lease, which brings the cost of occupying that space to a minimum of $3.25 per square foot per month, according to Mr. Alms. Under the subject proposed lease, the landlord would pay all utilities and services.

landlord to exercise this termination provision, because a non-profit public housing company, Mercy Housing Corporation, owns property surrounding 1360 Mission Street, and has tentative plans to develop the area for low- and middle-income housing. Mr. Alms advises that such development would include the subject leased premises, if VILO Properties elected to sell the premises to the Mercy Housing Corporation. Mr. Alms notes, however, that it is his understanding that Mercy Housing Corporation's plans are currently not final, and that no development schedule has been developed.

Recommendation: Approval of the proposed resolution is a policy matter for the Board of Supervisors since, without first obtaining Board of Supervisors approval: (a) DPH and the Real Estate Division are requesting approval of the proposed lease retroactive to July 1, 2000 and (b) such retroactivity results in the City being required to pay an increase of 38.6 increase in rent retroactive to July 1, 2000, resulting in a total estimated retroactive payment of $17,840 from July 1, 2000 through February 28, 2001.

Harvey M. Rose

Supervisor Leno
Supervisor Peskin
Supervisor Gonzalez
Clerk of the Board
Controller
Steve Kawa

City and County of San Francisco
Meeting Minutes
Finance Committee

Members: Supervisors Mark Leno, Aaron Peskin and Matt Gonzalez

Clerk: Gail Johnson

Wednesday, February 21, 2001 | **10:00 AM** | **City Hall, Room 263**

Regular Meeting

Members Present: Mark Leno, Aaron Peskin, Matt Gonzalez.

MEETING CONVENED

The meeting convened at 10:06 a.m.

010039 **[Airport Lease Agreement Modification for United Airlines, Inc.]**

Resolution approving Lease Modification Number Three for Lease No. 73-0066 between United Airlines, Inc. and the City and County of San Francisco, acting by and through its Airport Commission. (Airport Commission)

1/2/01, RECEIVED AND ASSIGNED to Finance and Labor Committee.

2/1/01, TRANSFERRED to Finance Committee. New committee structure.

2/7/01, CONTINUED. Heard in Committee. Speakers: Harvey Rose, Budget Analyst; John Martin, Airport Director; Theodore Lakey, Deputy City Attorney; Gary Franzella, Assistant Deputy Airport Director, Aviation Management, Airport.
Continued to February 21, 2001.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Peter Nardoza, Deputy Airport Director for Public Affairs.

CONTINUED TO CALL OF THE CHAIR by the following vote:

Ayes: 3 - Leno, Peskin, Gonzalez

010052 **[Airport Lease Agreement for Plot 6 to United Airlines, Inc.]**

Resolution approving lease agreement for Plot 6 between United Airlines, Inc. and the City and County of San Francisco, acting by and through its Airport Commission. (Airport Commission)

1/10/01, RECEIVED AND ASSIGNED to Finance and Labor Committee.

2/1/01, TRANSFERRED to Finance Committee. New committee structure.

2/7/01, CONTINUED. Heard in Committee. Speakers: Harvey Rose, Budget Analyst; John Martin, Airport Director; Theodore Lakey, Deputy City Attorney.
Continued to February 21, 2001.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Peter Nardoza, Deputy Airport Director for Public Affairs.

CONTINUED TO CALL OF THE CHAIR by the following vote:

Ayes: 3 - Leno, Peskin, Gonzalez

010161 [Airport Concession Lease]

Resolution approving the Boarding Area "F" Cosmetic and Toiletries Lease between Buth-Na-Bodhaige, Inc. dba The Body Shop, and the City and County of San Francisco, acting by and through its Airport Commission. (Airport Commission)

1/29/01, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Cathy Widener, Government Affairs Administrator, Airport.

Amended on line 3, after "approving," and on line 15, after "approve," by adding "retroactively."

AMENDED.

Resolution approving, retroactively, the Boarding Area "F" Cosmetic and Toiletries Lease between Buth-Na-Bodhaige, Inc. dba The Body Shop, and the City and County of San Francisco, acting by and through its Airport Commission. (Airport Commission)

RECOMMENDED AS AMENDED.. by the following vote:

Ayes: 3 - Leno, Peskin, Gonzalez

010061 [Substance Abuse and Crime Prevention Trust Fund and Designation of Lead Agency]

Mayor, Supervisors Newsom, Maxwell, Hall, McGoldrick, Daly, Leno, Peskin

Ordinance adding Section 10.117-126 of the San Francisco Administrative Code establishing fund for deposit of sums received under the Substance Abuse and Crime Prevention Act of 2000, and designating the Department of Public Health as the lead agency for administration of the fund.

1/16/01, ASSIGNED UNDER 30 DAY RULE to Finance and Labor Committee, expires on 2/15/2001.

2/1/01, TRANSFERRED to Finance Committee. New committee structure.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Monique Zmuda, Director of Finance, Department of Public Health; Theodore Lakey, Deputy City Attorney; Edward Harrington, Controller. Supervisor Peskin requested to be added as a co-sponsor.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE.

Ordinance adding Section 10.100-221 of the San Francisco Administrative Code establishing fund for deposit of sums received under the Substance Abuse and Crime Prevention Act of 2000, and designating the Department of Public Health as the lead agency for administration of the fund.

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Leno, Peskin, Gonzalez

010272 [Appropriation, funding for earthquake relief to El Salvador]

Mayor, Supervisor Sandoval

Ordinance appropriating $100,000 from the General Fund Reserve for the Salvadorian Emergency Committee to provide earthquake relief for fiscal year 2000-01.

2/12/01, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speaker: Harvey Rose, Budget Analyst.

RECOMMENDED by the following vote:

Ayes: 3 - Leno, Peskin, Gonzalez

010108 **[Fund the development and implementation of Reengineering Plan for the Assessor's Office Efficiency Program]**

Ordinance appropriating $726,726 of the General Reserve to fund the implementation of Reengineering Plan, for the Assessor's Office for fiscal year 2000-01. (Assessor-Recorder)

1/17/01, CONTINUED TO CALL OF THE CHAIR. Divided from File 002087.

1/17/01, RECEIVED AND ASSIGNED to Finance and Labor Committee.

2/1/01, TRANSFERRED to Finance Committee. New committee structure.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Doris Ward, Assessor-Recorder; Debbie Liu, KPMG Consulting; Jim Janette, Assistant Assessor; Rubin Goodman.

CONTINUED TO CALL OF THE CHAIR by the following vote:

Ayes: 3 - Leno, Peskin, Gonzalez

010208 **[Government funding, Hetch Hetchy's power purchases]**

Ordinance appropriating $25,400,000 of Hetch Hetchy Operating Fund to fund the purchase of power to meet municipal and contractual obligations for fiscal year 2000-01. (Controller)

(Fiscal impact.)

1/31/01, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: None.
Continued to 2/28/01.

CONTINUED by the following vote:

Ayes: 3 - Leno, Peskin, Gonzalez

002067 **[Library Fines and Fees]**

Supervisor Newsom

Ordinance amending the San Francisco Administrative Code by adding Section 8.21-2 to authorize the Library Commission to charge certain fines and fees for the use of library materials and services and ratifying prior fines and fees.

11/20/00, ASSIGNED UNDER 30 DAY RULE to Audit and Government Efficiency Committee, expires on 12/20/2000. Sponsor: Supervisor Kaufman

1/2/01, RECOMMENDED AS COMMITTEE REPORT. Heard in Committee. Speakers: Susan Hildreth, City Librarian; Supervisor Katz; Peter Warfield.
To Board as Committee Report January 2, 2001.

1/2/01, PASSED, ON FIRST READING. Supervisor Newsom requested to be added as co-sponsor.

1/16/01, SEVERED FROM CONSENT AGENDA. Supervisor Yee requested this matter be severed so it could be considered separately.

1/16/01, RE-REFERRED to Audit and Government Efficiency Committee.

2/1/01, TRANSFERRED to Finance Committee. New committee structure.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Susan Hildreth, Acting City Librarian; Dorothy Copely, Public Library; Edward Harrington, Controller; George Nichols, Finance Director, Public Library; James Chafee; Theodore Lakey, Deputy City Attorney; Peter Warfield; Nicole Termini; Deetje Boler; Michael Farrah, Legislative Assistant to Supervisor Newsom.
Continued to 2/28/01.

CONTINUED by the following vote:

Ayes: 3 - Leno, Peskin, Gonzalez

ADJOURNMENT

The meeting adjourned at 1:06 p.m.

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642

FAX (415) 252-0461

February 15, 2001

TO: Finance Committee

FROM: Budget Analyst

SUBJECT: February 21, 2001 Finance Committee Meeting

Item 1 – File 01-0039

Note: This item was continued by the Finance Committee at its meeting of February 7, 2001.

Department:	Airport
Item:	Resolution approving Lease Modification No. 3 for Lease No. 73-0066 between United Airlines, Inc. and the City, acting by and through its Airport Commission.
Lessor:	City and County of San Francisco
Lessee:	United Airlines, Inc.
Term of Lease:	The subject lease was first approved in 1973 for an initial 20-year term, to expire in 1993, with two 10-year options at the discretion of the lessee.
Right of Renewal:	As noted above, the 20-year lease provided for two 10-year extensions at the discretion of the lessee, for a total lease period of up to 40 years. In 1993, United Airlines exercised its first 10-year extension, which is due to expire in 2003.
Description:	On December 5, 2000 the Airport Commission approved Modification No. 3 of Lease 73-0066 between the Airport and United Airlines, Inc. Under lease 73-0066, United Airlines currently occupies 129.75 acres of land used by United Airlines for employee parking and its Maintenance Operations Center (MOC) for aircraft maintenance. The

subject lease was originally approved in 1973 for an initial term of 20 years, with two 10-year extension options at the discretion of the lessee. According to Ms. Dorothy Schimke of the Airport, in 1993 United Airlines exercised its first ten-year option, which is due to expire on June 30, 2003. The property leased by United Airlines is located at the intersection of San Bruno Avenue and the Bayshore Freeway.

The Airport is currently developing a Multi-Modal Transportation Center, which includes, among other elements, expansion of short-term Parking Lot DD, which is adjacent to the property leased by United Airlines, and the extension of the AirTrain (the Airport light rail system) to the Multi-Modal Transportation Center and Parking Lot DD (see Attachment I, provided by the Airport, for a description of these projects). According to Ms. Schimke, Parking Lot DD currently consists of Airport employee and Airport tenant employee parking. Ms. Schimke advises that Parking Lot DD will be expanded and initially used for additional employee parking, and upon completion of the Multi-Modal Transportation Center, the expanded portion of Parking Lot DD would be converted for long-term public parking. Ms. Schimke advises that in order for the Airport to complete such an expansion, the Airport needs access to Parking Lot DD through a portion of the property currently leased by United Airlines. Under the proposed Modification No. 3 to Lease 73-0066, United Airlines has agreed to relinquish to the Airport 0.74 acres of property. In return, the Airport has agreed to provide United Airlines with additional space of up to 2.61 acres for employee parking, as discussed below.

The proposed transfer of acreage under the subject lease Modification No. 3 would take place in the two following phases:

(1) Ms. Schimke reports that on December 1, 2000, United Airlines relinquished 0.74 of its total 129.75 in leased property back to the Airport, leaving 129.01 acres under the subject lease with United Airlines (see Comment No. 2).

(2) In exchange for relinquishing the 0.74 acres discussed above, the Airport agreed to provide United with 150

additional parking spaces for United Airlines employees that will be added to the lease at a future date, totaling a maximum of 2.61 acres. However, Ms. Schimke advises that the amended lease with the Airport will not include the additional acreage until the Airport completes the Multi-Modal Transportation Center and the AirTrain, in approximately four to six years, as explained in Attachment I to this report. During the interim period, between the time that United Airlines relinquished 0.74 acres of space on December 1, 2000 and the completion of the Multi-Modal Transportation Center and the AirTrain Extension, the Airport has granted United Airlines a month-to-month permit, effective December 1, 2000, for approximately 2.61 acres to accommodate the additional employee parking. Because the guideway for the AirTrain will require use of part of the 2.61 acres, the Airport will not be able to determine the exact amount of additional space that will be added to the existing lease until the Multi-Modal Transportation Center and the AirTrain are completed. Therefore, proposed lease Modification No. 3 states that the Airport and United Airlines agree to expand the existing lease "after the Multi-Modal Transportation Center and the AirTrain Extension are completely designed and constructed...without the requirement of formal amendment to the Lease or the approval of any party...as to the dimensions and configuration of such space."

Rent paid by United Airlines to the Airport:

Rent for the additional space to be charged by the Airport to United Airlines will be at the same rate of $35,879.50 per acre charged for the existing lease, both when the space is under permit and after it is added to the lease. The rate of $35,879.50 first became effective in 1998, according to Ms. Schimke.

Ms. Schimke advises that when the first 10-year lease extension with United Airlines was negotiated in 1993, United Airlines and the Airport agreed to an annual rent of $32,617.73 per acre for the first five years of the 10-year extension, with one increase of $3,261.77 to an annual rent of $35,879.50, effective July 1, 1998, for the remaining five years of the 10-year extension, expiring on June 30, 2003. Therefore, during the first 10-year extension between 1993

and 2003, the rent charged to United Airlines will have increased by only approximately 10 percent, or by approximately an average of one percent per year.

Under the proposed lease Modification No. 3, the exchange in space would result in a maximum net increase of 1.87 acres used by United Airlines in this location (the 2.61 acres in new parking for United Airlines employees, less the 0.74 acres relinquished back from United Airlines to the Airport).

Permit: According to Ms. Schimke, the month-to-month permit granted to United Airlines for the 2.61 acres allows the Airport to modify or terminate the permit with 30-days notice. Ms. Schimke advises that since the Airport must use portions of the 2.61 acres under permit to United Airlines for construction of the AirTrain extension, the Airport will reduce the number of acres provided to United Airlines under permit as needed.

Compliance with City Laws: In addition, the proposed lease Modification No. 3 would update the existing lease to reflect changes to the Administrative Code and other City requirements, such as provisions requiring compliance with the ban on tropical hardwoods and virgin redwood, the MacBride Principles related to employment inequity in Northern Ireland, the Non-Discrimination in City Contracts and Equal Benefits Ordinance, and the Minimum Compensation Ordinance.

Comments: 1. As previously noted, the proposed lease modification would ultimately result in a maximum net increase of 1.87 acres of space for United Airlines. The net rent increase that the Airport would receive annually from United Airlines is $67,095 per year, as shown in the table below. However, the increased acreage to be added to the lease will most likely be less than the estimated 1.87 acres since the parking parcel now under permit will be reduced by AirTrain construction as described above. Ms. Schimke advises that the Airport will not add more than 2.61 acres to the lease with United Airlines. The estimated net increased rent of $67,095 to be paid by United to the Airport is shown in the table below. The net increased rent applies immediately to the estimated 2.61 acres provided to United Airlines under a month-to-month permit effective

December 1, 2000, as well as to the final acreage after it is incorporated into the existing lease. As stated previously, Ms. Schimke reports that the Airport expects to complete the Multi-Modal Transportation Center and the AirTrain Extension in approximately four to six years, as stated in Attachment I, provided by the Airport.

	Annual Cost per Acre	Total Acres	Annual Airport Revenues
Existing Lease	$35,879.50	129.75	4,655,365
Space relinquished by United Airlines to the Airport	$35,879.50	(0.74)	(26,550)
Estimated additional space to be leased by United Airlines	$35,879.50	2.61	93,645
New Total		131.62	$4,722,460
Net Increase		1.87	$67,095

2. As stated previously, Ms. Schimke advises that on December 1, 2000, United Airlines relinquished 0.74 acres of space leased under the existing contract. In addition, the Airport issued to United Airlines a permit, effective December 1, 2000, to use an additional 2.61 acres for employee parking, at which point United Airlines began paying additional rent to the Airport based upon the additional 2.61 acres. Therefore, the Budget Analyst recommends that the subject resolution be amended to provide for retroactive authorization. Ms. Schimke advises that the permit to United for use of the 2.61 acres will be terminated when the space is formally incorporated into the existing lease.

3. As noted above, United Airlines will be charged rent for the additional 2.61 acres at the same rate of $35,879.50 per acre charged for the existing lease both when the space is under permit and after it is added to the lease. Ms. Schimke advises that the rate of $35,879.50 first became effective July 1, 1998. The Budget Analyst notes that not only has this rent of $35,879.50 per acre not been increased since July 1, 1998, or for 2.5 years, but additionally, over the 10-year lease extension, which expires June 30, 2003, the rental increases to United Airlines in total have

averaged approximately one percent per year over 10 years, or a total increase of $3,261.77, which adjusted the 1993 rent of $32,617.73 per acre to the current rent of $35,879.50 per acre.

Had this rent amount been adjusted upward according to the total 11.24 percent increase in the Consumer Price Index (CPI) between July 1, 1998 and January 2001, the rent would have increased by $4,302.86 to an annual rent of $39,912.35 per acre. Furthermore, the Budget Analyst questions why the Airport does not require that United Airlines pay the Airport an adjusted rent based on current fair market rent for the net additional 1.87 acres to be used by United Airlines (the 2.61 acres in new employee parking for United Airlines, less the 0.74 acres relinquished back by United Airlines to the Airport).

According to Ms. Schimke, the Airport agreed to the proposed exchange of property with United Airlines and the rental rate of $35,879.50 because the 0.74 acres United Airlines has relinquished to the Airport is critical to the completion of the AirTrain Extension and the Multi Modal Center. The Budget Analyst notes, however, that the net additional 1.87 acres provided to United Airlines for employee parking is apparently important to United Airlines since United Airlines has requested the additional land from the Airport. Therefore, the Budget Analyst questions why the Airport does not require United Airlines to pay the current fair market value for the additional land that United will receive and why the rent being charged to United Airlines has only been increased by an average of one percent annually over the 10-year lease extension period, which expires on June 30, 2003.

4. Ms. Schimke also states that the original 1973 lease with United Airlines contains no provisions for annual adjustments in rent during the initial 20-year term of the lease, or during each of the subsequent two 10-year extension periods. As discussed in Comment No. 3 above, the existing lease provides that before each of the 10-year extensions, the Airport and United Airlines will negotiate a revised rent based upon Airport appraisals of the land's fair market value at that time.

5. In response to the Budget Analyst's report, Ms. Schimke advises that the Airport has negotiated the proposed lease Modification No. 3 to accommodate the Airport. The Airport went to United Airlines with the request for the Airport to take back from United Airlines 0.74 acres of property to which United had absolute rights under its long-term lease, according to Ms. Schimke. The Airport's providing of up to 2.61 acres of Airport property to United Airlines, which would enable United Airlines to provide its employees an additional 150 parking spaces at the same rate of the existing lease, was the 'price' for United Airline's agreement to relinquish the 0.74 acres back to the Airport, according to Ms. Schimke. Ms. Schimke states that the Airport was not in a bargaining position to demand pricing concessions from United as part of this deal. Ms. Schimke reiterates that the 0.74 acres that the Airport will obtain from United Airlines is necessary for the completion of the Airport's Multi-Modal Transportation Center and AirTrain extension (light rail system). In addition to the important public policy goals of the Multi-Modal Transportation Center, according to Ms. Schimke, the Parking Lot DD portion of the project (see Attachment I) has significant revenue implications. Ms. Schimke anticipates that the expansion of Parking Lot DD (the expansion will initially be used for Airport employee parking and Airport tenant employee parking, and eventually for public long-term parking) allowed by the recapture of the 0.74 acres from United Airlines will generate additional parking revenues to the Airport conservatively estimated at $1,017,600 for the first full year of operation, rising to approximately $3 million per year when the lot reaches capacity. Ms. Schimke advises that these parking revenues will increase significantly once the lot converts the Airport employee and Airport tenant employee parking to public long-term parking when the Multi-Modal Transportation Center is completed.

6. Under the terms of the lease, not until the current 10-year lease extension expires on June 30, 2003 will the Airport, in conjunction with the Department of Real Estate, appraise the value of the land and negotiate with United Airlines a revised rent based upon the land's fair market value at that time, as of July 1, 2003.

7. As previously noted, in 1993, under the first 10-year extension, the Airport and United Airlines negotiated an

adjusted rent for this first 10-year extension, effective July 1, 1993, to increase the annual rent by $3,261.77, from $32,617.73 per acre to $35,879.50 per acre annually, effective July 1, 1998. This one and only rent increase represents an average increase of only one percent annually, or a total increase of 10 percent over the 10-year lease extension. This mid-term adjustment was not intended to reflect fair market value at mid-term, according to Ms. Schimke. While the Budget Analyst acknowledges that the 1973 original lease contained no provisions for annual rent adjustments, nothing precludes the Airport from negotiating a rent adjustment at this time, since the Airport is requesting approval from the Board of Supervisors of a proposed new lease Modification No. 3, which would provide United Airlines with 1.87 additional acres of Airport property.

8. At the February 7, 2001 Finance Committee meeting, the Airport Director stated that in negotiating the proposed lease modification with United Airlines, the Airport took into consideration an additional $220,000 for security and related costs that United Airlines reports it would be required to pay to operate the additional 2.61 acres provided under the subject lease modification. According to Mr. Gary Franzella of the Airport, United Airlines reports that the $220,000 in additional costs would result from the need to provide two security guards on the premises, seven days a week, which would require United Airlines to employ six full-time equivalent (FTE) employees.

9. At its meeting of February 7, 2001, the Finance Committee requested the Airport Director to attempt to renegotiate the proposed lease modification in order to require United Airlines to pay to the Airport Consumer Price Index adjustments and/or fair market value for the subject 2.61 acres.

As of the writing of this report, according to Mr. Peter Nardoza of the Airport, the Airport has not yet been in contact with representatives of United Airlines concerning a possible renegotiation of this lease modification, as requested by the Finance Committee. Therefore, Mr. Nardoza is requesting that this item be continued for two weeks.

Note: Subsequent to the issuance of the Budget Analyst's report, the Airport revised the amount of the net revenue realized by the Airport from long term public parking spaces from their previously reported $318 per month to $222 per month. This does not change the conclusions of the Budget Analyst.

10. The Finance Committee also requested at its February 7, 2001 meeting that the Budget Analyst attempt to determine a fair market value for the 150 parking spaces to be used for United Airlines employee parking in the 2.61 acres of additional space to be provided to United Airlines under the proposed lease modification.

According to the Ms. Schimke, the Airport currently charges $48 per parking space permit, per month, or $576 annually, for comparable space used by airlines for employee parking (parking with no bus service), which the Airport provides to airlines on a per space permit basis. Ms. Schimke advises that this rate is based on the Airport's Rates and Charges for Airlines, which is adjusted and published annually by the Airport. Since the Airport can in some cases rent on average two permits per parking space (since the Airport is open 24 hours per day), the average monthly value of a parking space for airline employees is $96 per month, according to Mr. Franzella. At this rate of $96 per month, the total value of the 150 subject parking spaces would be $14,400 per month, or $172,800 annually. Under the proposed lease modification, based on the $93,645 rental revenue per year payable by United Airlines to the Airport for the 2.61 acres which provide United Airlines with 150 parking spaces, United Airlines would pay to the Airport an average of approximately $52.03 per month per parking space, or approximately $7,804 per month ($93,645 annually) for the entire 2.61 acres. This $52.03 is approximately $43.97 less per parking space per month ($96 less $52.03) than the average monthly rate of $96 per month per parking space that the Airport is currently charging for airline employee parking. Ms. Schimke advises that in addition to the 150 parking spaces, the subject 2.61 acres includes circulation space for vehicles. Under the subject lease and proposed modification, United Airlines would not be able to reconfigure the parking layout to create additional parking spaces, according to Mr. Franzella.

Furthermore, based on a comparison of parking available in the general vicinity of the Airport, CalTrans currently charges on average $61 (approximately $59 to $63 per month) for leased paved parking spaces approximately the same size as the subject 150 parking spaces to be provided

to United Airlines at the Airport[1]), according to information provided to the Budget Analyst by the Division of Real Estate.

In addition, if the Airport were to have to dedicated the 2.61 acre area for public parking use instead of for United Airlines employee parking, which in fact the Airport intends to eventually do in its Parking Lot DD, which is adjacent to the 2.61 acres being provided to United Airlines, then the Airport could have charged its current rate of $15 per day per space[2] for long-term public parking, or approximately $450 per month ($5,400 annually), according to Ms. Schimke. The Airport collects an average net revenue of $222 per parking space per month ($2,664 annually) from long-term public parking, accounting for operating costs and fluctuations in demand, according to Mr. Franzella. Mr. Franzella advises that the Airport would not have elected to use the subject 2.61 acres for long-term public parking due to the property's location and the investment that would have been required to construct the infrastructure necessary for long-term parking.

A comparison of such parking charges are as follows:

Parking Use	Monthly Rate Charged per Space	Total Annual Rent for 150 Spaces
Proposed Lease Modification, 2.61 acres including 150 parking spaces for the proposed rent being charged to United	$52.03	$93,645
CalTrans Leased Parking Space in Vicinity of Airport (average rent) for 150 parking spaces	$61	$109,800
Comparable Charges by the Airport for Airline Employee Parking for 150 parking spaces (provided per space, based on two permits each)	$96	$172,800
Long-Term Airport Public Parking (Approximate Net Revenue for Airport for 150 parking spaces)	$222	$399,600

[1] The Real Estate Division reports that CalTrans pays a maximum of $0.20 per square foot of comparable paved parking, which when multiplied by the average Airport-reported 315 square-feet of each of the subject 150 parking spaces, would result in a monthly parking rate of $63.

[2] Ms. Schimke advises that the Airport charges for long-term parking $1 for every 15 minutes, with a maximum daily fee of $15.

As shown in the above table:

- Based on 150 parking spaces, the proposed $93,645 annual rent to be charged to United Airlines under the proposed subject lease modification would be $16,155 less than the approximate annual rent of $109,800 charged by CalTrans for similar parking spaces in the vicinity of the Airport.

- Moreover, according to the Airport, the annual $93,645 rent to be charged to United Airlines under the proposed subject lease modification charged for the subject 150 parking spaces under the proposed lease modification, including additional vehicle circulation space, would be $79,155 less than the $172,800 annual amount charged by the Airport per space (based on an average of 2 permits per space) to airlines for permits for airline employee parking.

- Further, the proposed annual rent of $93,645 to be charged by United Airlines under the proposed subject lease modification would be $305,955 less than the estimated $399,600 in net revenue that the Airport earns from 150 long-term parking places, not accounting for any initial investment costs which would be required by the Airport for long-term parking.

11. Based on the data obtained in response to the Finance Committee's question concerning the value of parking spaces included in the proposed lease with United Airlines:

a) under the proposed lease modification the rent charged to United Airlines of $52.03 monthly for each of the 150 parking spaces would be 14.7 percent less than comparable parking in the vicinity of the Airport of approximately $61 monthly for the parking leased by CalTrans and 45.8 percent less than the monthly $96 the Airport currently charges Airlines per employee parking space, based on an average of two permits per space; and,

b) under the proposed lease modification the rent charged to United Airlines of $52.03 monthly for each of the 150 parking spaces would be 76.6 percent less than the

average $222 monthly net revenue per space that the Airport currently receives for long-term Airport public parking.

12. The Budget Analyst based the above calculations on the assumption that, under the proposed lease modification, the United Airlines would be provided 150 new parking spaces, based upon information received from the Airport. However, the Airport now advises that United Airlines will receive a net total of 75 new parking spaces (the 150 parking spaces provided in the subject 2.61 acres less 75 parking spaces under the 0.74 acres which United Airlines has agreed to relinquish to the Airport under the proposed lease modification.) According to Mr. Franzella, the Budget Analyst should consider the land value of the subject 2.61 acres based on the value of 75 parking spaces, as opposed to 150 parking spaces. However, if a comparison of 75 parking spaces, instead of 150 were made, the relationship between the individual parking space valued in this analysis would remain identical. Furthermore, we disagree with Mr. Franzella. The analysis by the Budget Analyst addresses the fair market value of the new space that will now be leased to United Airlines that includes 150 parking spaces.

Recommendations: 1. Amend the proposed resolution to provide for retroactive authorization, in accordance with Comment No. 2 above.

2. Approval of the proposed resolution, as amended, is a policy matter for the Board of Supervisors since under the proposed lease Modification No. 3, the Airport will not receive current fair market value until July 1, 2003 and, as the lease presently states, the Airport does not require United Airlines to pay annual rent adjustments based on annual percentage increases in the Consumer Price Index (CPI) over the entire potential 40-year term of this lease. In addition, the fair market value rates of the parking spaces to be provided to United Airlines under the proposed lease are considerably less than comparable parking rates that could be received for parking as noted in Comments 10 and 11, above.

3. As requested by the Airport, continue this proposed resolution for two weeks, in accordance with Comment No. 9 above.

10. The Finance Committee also requested at its February 7, 2001 meeting that the Budget Analyst attempt to determine a fair market value for the 150 parking spaces to be used for United Airlines employee parking in the 2.61 acres of additional space to be provided to United Airlines under the proposed lease modification.

According to the Ms. Schimke, the Airport currently charges $48 per parking space permit, per month, or $576 annually, for comparable space used by airlines for employee parking (parking with no bus service), which the Airport provides to airlines on a per space permit basis. Ms. Schimke advises that this rate is based on the Airport's Rates and Charges for Airlines, which is adjusted and published annually by the Airport. Since the Airport can in some cases rent on average two permits per parking space (since the Airport is open 24 hours per day), the average monthly value of a parking space for airline employees is $96 per month, according to Mr. Franzella. At this rate of $96 per month, the total value of the 150 subject parking spaces would be $14,400 per month, or $172,800 annually. Under the proposed lease modification, based on the $93,645 rental revenue per year payable by United Airlines to the Airport for the 2.61 acres which provide United Airlines with 150 parking spaces, United Airlines would pay to the Airport an average of approximately $52.03 per month per parking space, or approximately $7,804 per month ($93,645 annually) for the entire 2.61 acres. This $52.03 is approximately $43.97 less per parking space per month ($96 less $52.03) than the average monthly rate of $96 per month per parking space that the Airport is currently charging for airline employee parking. Ms. Schimke advises that in addition to the 150 parking spaces, the subject 2.61 acres includes circulation space for vehicles. Under the subject lease and proposed modification, United Airlines would not be able to reconfigure the parking layout to create additional parking spaces, according to Mr. Franzella.

Furthermore, based on a comparison of parking available in the general vicinity of the Airport, CalTrans currently charges on average $61 (approximately $59 to $63 per month) for leased paved parking spaces approximately the same size as the subject 150 parking spaces to be provided

to United Airlines at the Airport[1]), according to information provided to the Budget Analyst by the Division of Real Estate.

In addition, if the Airport were to have to dedicated the 2.61 acre area for public parking use instead of for United Airlines employee parking, which in fact the Airport intends to eventually do in its Parking Lot DD, which is adjacent to the 2.61 acres being provided to United Airlines, then the Airport could have charged its current rate of $15 per day per space[2] for long-term public parking, or approximately $450 gross per month ($5,400 annually), according to Ms. Schimke. The Airport collects an average net revenue of $318 per parking space per month ($3,816 annually) from long-term public parking, accounting for fluctuations in demand, according to Mr. Franzella. Mr. Franzella advises that the Airport would not have elected to use the subject 2.61 acres for long-term public parking due to the property's location and the investment that would have been required to construct the infrastructure necessary for long-term parking.

A comparison of such parking charges are as follows:

Parking Use	Monthly Rate Charged per Space	Total Annual Rent for 150 Spaces
Proposed Lease Modification, 2.61 acres including 150 parking spaces for the proposed rent being charged to United	$52.03	$93,645
CalTrans Leased Parking Space in Vicinity of Airport (average rent) for 150 parking spaces	$61	$109,800
Comparable Charges by the Airport for Airline Employee Parking for 150 parking spaces (provided per space, based on two permits each)	$96	$172,800
Long-Term Airport Public Parking (Net Revenue for Airport for 150 parking spaces)	$318	$572,400

[1] The Real Estate Division reports that CalTrans pays a maximum of $0.20 per square foot of comparable paved parking, which when multiplied by the average Airport-reported 315 square-feet of each of the subject 150 parking spaces, would result in a monthly parking rate of $63.
[2] Ms. Schimke advises that the Airport charges for long-term parking $1 for every 15 minutes, with a maximum daily fee of $15.

As shown in the above table:

- Based on 150 parking spaces, the proposed $93,645 annual rent to be charged to United Airlines under the proposed subject lease modification would be $16,155 less than the approximate annual rent of $109,800 charged by CalTrans for similar parking spaces in the vicinity of the Airport.

- Moreover, according to the Airport, the annual $93,645 rent to be charged to United Airlines under the proposed subject lease modification charged for the subject 150 parking spaces under the proposed lease modification, including additional vehicle circulation space, would be $79,155 less than the $172,800 annual amount charged by the Airport per space (based on an average of 2 permits per space) by the Airport to airlines for permits for airline employee parking.

- Further, the proposed annual rent of $93,645 to be charged by United Airlines under the proposed subject lease modification would be $478,755 less than the estimated $572,400 in net revenue that the Airport earns from 150 long-term parking places, not accounting for any initial investment costs which would be required by the Airport for long-term parking.

11. Based on the data obtained in response to the Finance Committee's question concerning the value of parking spaces included in the proposed lease with United Airlines:

a) the proposed lease modification which would result in a rent charged to United Airlines of $52.03 monthly for each of the 150 parking spaces would be 14.7 percent less than comparable parking in the vicinity of the Airport of approximately $61 monthly for the parking leased by CalTrans and 45.8 percent less than the monthly $96 the Airport currently charges Airlines per employee parking space, based on an average of two permits per space; and,

b) the proposed lease modification which would result in a rent charged to United Airlines of $52.03 monthly for each of the 150 parking spaces would be 83.6 percent

less than the average $318 monthly net revenue per space which the Airport currently receives for long-term Airport public parking.

12. The Budget Analyst based the above calculations on the assumption that, under the proposed lease modification, the United Airlines would be provided 150 new parking spaces, based upon information received from the Airport. However, the Airport now advises that United Airlines will receive a net total of 75 new parking spaces (the 150 parking spaces provided in the subject 2.61 acres less 75 parking spaces under the 0.74 acres which United Airlines has agreed to relinquish to the Airport under the proposed lease modification.) However, this analysis by the Budget Analyst addresses the fair market value of the new space that will now be leased to United Airlines that includes 150 parking spaces.

Recommendations: 1. Amend the proposed resolution to provide for retroactive authorization, in accordance with Comment No. 2 above.

2. Approval of the proposed resolution, as amended, is a policy matter for the Board of Supervisors since under the proposed lease Modification No. 3, the Airport will not receive current fair market value until July 1, 2003 and, as the lease presently states, the Airport does not require United Airlines to pay annual rent adjustments based on annual percentage increases in the Consumer Price Index (CPI) over the entire potential 40-year term of this lease. In addition, the fair market value rates of the parking spaces to be provided to United Airlines under the proposed lease are considerably less than comparable parking rates that could be received for parking as noted in Comments 10 and 11, above.

3. As requested by the Airport, continue this proposed resolution for two weeks, in accordance with Comment No. 9 above.

AIRPORT COMMISSION
SAN FRANCISCO INTERNATIONAL AIRPORT
CITY AND COUNTY OF SAN FRANCISCO

INTEROFFICE MEMORANDUM

TO: Harvey Rose
Budget Analyst

DATE: January 24, 2001

FROM: Bob Rhoades
Deputy Airport Director, Business

SUBJECT: Lot DD Development – MultiModal Transportation Center

Lot DD consists of a 3,218 space parking garage for Airport and tenant employees under Airport control. It also contains a secure 1,190 space, paved parking lot under long-term lease through year 2013 to United Airlines ("UA") for UA employee parking. Access to the employee parking garage is by way of a signalized entry/exit from South Airport Boulevard. Access to the UA employee parking area is from a separate signalized entry/exit from South Airport Boulevard, with an additional (stop sign controlled) exit onto westbound San Bruno Avenue. Shuttle buses transport employees to and from other Airport destinations.

The Airport intends to improve Lot DD as part of a Multi-Modal Transportation Center ("MMTC") development. Under the "Transit First Policy" adopted by the Airport Commission in 1996, the Airport is committed to the development of a ground transportation system which gives priority to alternate transit modes. As part of this commitment, the development of the MMTC at Lot DD would provide a consolidated transportation connection for long-term airport parking, buses, and bicyclists, with access to the terminal complex. The MMTC would achieve a number of transit first objectives, such as: 1) reduce vehicular travel to and congestion on the passenger terminal roadways by providing direct access via AirTrain for remote long-term parking sites; 2) encourage use of public transit by providing a direct connection between a new SamTrans stop and AirTrain; 3) encourage bicycle commuting by providing an extension of the Bay Trail, and new bicycle parking facilities with direct access to the terminal complex via AirTrain.

Lot DD improvements will involve an extension of the AirTrain System (the Airport light rail system); two MMTC AirTrain Stations; construction of a link of the San Francisco Bay Trail; and expansion of long-term parking facilities. The Lot DD improvements are broken into two phases for implementation.

Phase I improvements include: paving an unimproved portion of the lot to add approximately 1,600 additional parking spaces to initially be used by employees; signalization improvements at the intersections of South Airport Boulevard and the I-380 off and on-ramps; construction of the Bay Trail link through Lot DD; and relocation of the parking lot exit onto San Bruno Avenue. A contract is currently underway to make the first phase improvements.

Phase II improvements include: the extension of the AirTrain System; construction of a second parking structure; and the conversion of the employee parking lot and structures into long-term parking facilities.

The only viable vehicular access to the new parking area being developed is through the United Airlines' secure leasehold area. Without such access, the new surface parking area being developed in Phase I would be unusable, making less long-term parking available in the future. To obtain UA agreement to bisect their leasehold the Airport agreed to increase the UA leasehold to accommodate 150 additional parking spaces and to retain the access onto San Bruno Avenue for the UA employees.

Phase I of the project is now underway. The entire MMTC, including phase II improvements, is expected to be complete within four to six years.

Item 2 - File 01-0052

Note: This item was continued by the Finance Committee at its meeting of February 7, 2001.

Department:	Airport Commission
Item:	Resolution approving a new lease agreement for Plot 6 between United Airlines, Inc. (United) and the City and County of San Francisco, acting by and through its Airport Commission
Lessor:	City and County of San Francisco
Lessee:	United Airlines, Inc.
Total Acreage and Cost Per Month Payable by United Airlines, Inc. to the Airport:	16.04 acres at a monthly rental rate of $132,054.65 for the first and second years of the proposed lease (approximately $8,232.83 per acre per month). For the first and second years, annual rent would total $1,584,655.76 ($98,794 per acre per year).
Purpose of Lease:	United will use the 16.04 acres for an air cargo facility, administrative offices and employee parking.
Amount Payable by United to Airport:	$1,584,655.76 per year for the first and second year of the lease. According to Ms. Dorothy Schimke of the Airport, rent in the amount of $1,584,655.76 per year represents the fair market value of the subject 16.04 acres on June 1, 1999, the retroactive effective date of the proposed lease. Presently, United pays the Airport $508,353 under permit for 19.35 acres (see Comment No. 2). The proposed lease provides for annual increases in the rent based on increases in the Consumer Price Index (CPI). According to the proposed lease, the CPI adjustment would begin on June 1, 2001. As stated in the Attachment provided by the Airport, there will be no CPI adjustment between June 1, 1999 and June 1, 2001, thereby resulting in no CPI adjustment for the second year of the lease between June 1, 2000 and June 1, 2001. The lease requires United Airlines to pay CPI adjustments for the third, fourth and fifth year of the lease. In the sixth year of the proposed lease, the annual rental payment to the Airport will be

determined by a City reappraisal of the land to reestablish the fair market value amount. Subsequent annual increases in the rent will be made based on increases in the CPI through the end of the lease.

Term of Lease: Retroactive to June 1, 1999 to June 30, 2011 (12 years and one month)

Right of Renewal: Lessee has no renewal rights.

Maintenance and Operations: The Lessee, United Airlines, Inc., pays for the costs of all maintenance and operations.

Description: The proposed resolution would authorize a new 12 year and one month lease retroactive to June 1, 1999 of 16.04 acres of a newly configured Plot 6 to accommodate United's air cargo facility, some administrative offices and employee parking. The 16.04 acres of a newly configured Plot 6 would constitute approximately 83 percent of the 19.35 acres of Plots 5 and 6 covered under a month-to-month permit, cancelable on 30-day notice, since the expiration of original leases in 1993. According to Ms. Schimke, United occupied the 16.04 acres from 1993 until June 1, 1999 on a permit basis, instead of under a lease, pursuant to the following conditions contained in a Memorandum of Understanding negotiated in the early 1990s between the Airport and United Airlines:

1) Upon termination of the leases of Plots 5 and 6 in 1993, the leases would be replaced in the interim by month-to-month permits, for the same areas at the same land rental rates as were then in effect, until the land was required for the Airport's Master Plan construction or the functions were accommodated elsewhere;

2) The Airport would offer United a "standard lease" for that portion of the site primarily comprising Plot 6, for continued accommodation of its air cargo facility, offices and related parking;

3) Rent under the interim permit(s) would remain at the same rate as was in effect upon termination of the Plots 5 and 6 leases, and would be adjusted

to fair market value at the time the new leases were in place.

The differences between the proposed lease for 16.04 acres of a newly configured Plot 6 and the existing month-to-month permit for 19.35 acres of Plots 5 and 6 are (1) the permit is cancelable upon 30-days notice, (2) the new lease adjusts the rents as described in Comment No. 2 below, (3) 1.43 acres have been added to result in a total acreage of 16.04 acres for Plot 6, which originally totaled 14.61 acres, and (4) Plot 6 has been slightly reconfigured due to the Airport's Master Plan construction program for Boarding Area "G" and the Air Train (Airport Light Rail System).

The proposed lease would reflect the City's Administrative Code and other City requirements, such as provisions requiring compliance with the ban on tropical hardwoods and virgin redwood, the MacBride Principles related to employment inequity in Northern Ireland, the Non-Discrimination in City Contracts and Equal Benefits Ordinance, and the Minimum Compensation Ordinance.

Comments:

1. The Airport Commission adopted Resolution No. 00-0464 on December 19, 2000, recommending the proposed new lease to United retroactive to June 1, 1999. As shown in the Attachment, the lease is retroactive to June 1, 1999 because in June of 1999, the Airport determined that the Air Train required adjustments that would encroach upon the eastern boundary of the new Plot 6. Finalization of the Plot 6 lease was therefore put off until the Air Train issues were settled and a legal description of the premises could be accurately determined. Ms. Schimke reports that because these adjustments were minimal, United agreed to establishing an effective date of June 1, 1999 for the proposed lease at the then market value rental rate. The final configuration of the parcel incorporating the Air Train land recapture was not defined and resolved between the Airport and United until November of 2000.

2. According to Ms. Schimke, the proposed lease of 16.04 acres includes 14.61 acres of the old Plot 6 and 1.43 acres of the old Plot 5. As previously noted, the annual rent for the first and second year for the 16.04 acres would be

$1,584,655.76, a net annual increase of $1,076,302.76, or an increase of approximately 211.7 percent, retroactive to June 1, 1999, from the permit rent of $508,353 payable by United to the Airport for the 19.35 acres of Plots 5 and 6 covered under permit. The new proposed lease pertaining to 16.04 acres would result in a reduction of 3.31 acres being leased by the Airport to United. Ms. Schimke reports that upon approval of the proposed lease by the Board of Supervisors, United would pay retroactively to the City $1,793,838, representing the difference in the monthly rental income of $89,691.90 for the 20 month period from June 1, 1999, the start of the proposed lease, through January 31, 2001. The net increase in rent payable by United to the Airport for the first two years of the lease is calculated as follows:

	Approximate Annual Cost per Acre	Total Acres	Annual Airport Revenues
Old permit: Plot 5	$42,000	4.07[1]	$170,940
Plot 6	$22,082	15.28	$337,413
Subtotal for permit		19.35	$508,353
Proposed new lease for new Plot 6 (includes a majority of the acreage of the old Plot 6 and a small parcel of the old Plot 5)	$98,794	16.04	$1,584,655.76
Net Increase			$1,076,302.76

3. The Budget Analyst notes that had the rent amount for the second year of the proposed lease between June 1, 2000 and June 1, 2001 been adjusted for the increase in the CPI, then the rent would have increased by 3.77 percent or approximately $59,742 to an annual rent of approximately $1,644,398 instead of the proposed annual rent of $1,584,655.76 for the second year of the proposed lease.

4. Since the lease began on June 1, 1999, the proposed resolution should be amended to provide for retroactive authorization.

[1] Under the proposed lease for the new Plot 6, United will lease 1.43 acres of the 4.07 acres of Plot 5 that were under permit.

5. At the meeting of February 7, 2001 the Finance Committee requested the Airport Director to attempt to renegotiate this proposed new lease in order to require United Airlines to pay a CPI adjustment to the Airport for the second year of this proposed lease between June 1, 2000 and June 1, 2001. As of the writing of this report, according to Mr. Peter Nardoza of the Airport, the Airport has not yet been in contact with representatives of United Airlines concerning a possible renegotiation of this lease as requested by the Finance Committee. Therefore, Mr. Nardoza is requesting that this item be continued for two weeks.

Recommendations:

1. Amend the proposed resolution to provide for retroactive authorization, in accordance with Comment No. 4 above.

2. Approval of the proposed resolution, as amended, is a policy matter for the Board of Supervisors because there will be no CPI adjustment for rent for the second year of the proposed lease between June 1, 2000 and June 1, 2001. Had the rent amount being charged by the Airport to United Airlines for the second year of the proposed lease been adjusted upward according to the increase in the CPI, the rent payable by United to the Airport would have increased by approximately $59,742 to an annual rent of $1,644,398, instead of the proposed annual rent of $1,584,655.76 as noted in Comment No. 3.

3. As requested by the Airport, continue this proposed resolution for two weeks.

AIRPORT COMMISSION
SAN FRANCISCO INTERNATIONAL AIRPORT
CITY AND COUNTY OF SAN FRANCISCO

MEMORANDUM

TO: Harvey Rose
Budget Analyst

DATE: January 25, 2001

FROM: Bob Rhoades
Deputy Airport Director, Business

SUBJECT: Plot 6 Lease – United Airlines

As discussed in the Budget Analyst's report, the subject lease comprises one element of a complex series of land exchanges required to implement the Airport's Master Plan. The general concept, negotiated in the early 1990's, provided for existing permits to remain in place, at then-current rents, until the land was required for the Master Plan construction or the functions were accommodated elsewhere. It was generally agreed that the Plot 6 lease would not be finalized until the parcel reached its final configuration. It was anticipated that the plot would reach its final configuration when the Airport recaptured a parking parcel in the area now comprising a portion of the new Boarding Area G apron.

The parking parcel was surrendered by United in June 1999; however, at that time it became apparent that the Air Train (Airport light rail system) guideway required adjustments that would encroach upon the eastern boundary of Plot 6. The Plot 6 lease could not be absolutely finalized until the guideway issues were settled and legal description of the premises could be written, based upon formal survey. The issues were finally resolved in late 2000.

Because the guideway adjustments were minimal, the parties agreed that, once approved by the Board of Supervisors, the Plot 6 rent commencement would be retroactive to June 1, 1999. The first CPI adjustment will occur in accordance with lease provisions, once the lease is actually in place (after Board approval). The Base Index for CPI adjustments is defined as "the most recent Consumer Price Index published immediately prior to the Commencement Date," or April 1999. The Comparison Index for the first (June 2001) adjustment will be April 2001, generating a two-year value increase.

Item 3 – File 01-0161

Department:	Airport Commission
Item:	Resolution approving a new Boarding Area "F" Cosmetic and Toiletries Lease between Buth-Na-Bodhaige, Inc., doing business as The Body Shop, and the City and County of San Francisco, acting by and through its Airport Commission.
Lessor:	City and County of San Francisco
Lessee:	Buth-Na-Bodhaige, Inc., doing business as (dba) The Body Shop
No. of Sq. Ft. and Rent Per Year Payable by The Body Shop to the Airport:	1,123 sq. ft., located at Boarding Area "F" in the North Terminal by Gate 82 at the Airport. The annual rent payable by Buth-Na-Bodhaige, Inc., dba The Body Shop (the proposed lessee) to the Airport would be the greater of the Minimum Annual Guarantee of $275,001 for the first year of the proposed lease or a percentage of gross revenues realized by the proposed lessee. According to the proposed lease, the annual percentage of gross revenues payable by the proposed lessee to the Airport would be 12 percent of gross revenues up to and including $500,000, plus 14 percent of gross revenues from $500,000.01 up to and including $1,000,000, plus 16 percent of gross revenues over $1,000,000. The proposed lease provides for annual increases in the Minimum Annual Guarantee based on increases in the Consumer Price Index.
Purpose of Lease:	The proposed lessee will use the 1,123 sq. ft. of space to display and sell, on a non-exclusive basis, retail merchandise generally found in a cosmetic and toiletries store.
Term of Lease:	January 7, 2001 through January 6, 2006 (five years)
Right of Renewal:	Lessee has no renewal rights.

Utilities and Janitorial Services: The lessee pays for the costs of all utilities and janitorial services.

Tenant Improvements: According to Ms. Cathy Widener of the Airport, the proposed lessee would be required to pay for tenant improvements to the 1,123 sq. ft. of leased space, at a minimum cost to the lessee of $250 per sq. ft., or $280,750.

Description of Proposed Lease: The proposed resolution would authorize a new five year lease of 1,123 sq. ft. at Boarding Area "F" next to Gate 82 to accommodate The Body Shop is a retail concession which sells cosmetic and toiletries. According to Ms. Widener, the proposed lessee occupied 1,423 sq. ft. at the Airport from December 1, 1995 through January 6, 2001 under a prior lease. The 1,123 sq. ft. of space under the proposed lease constitutes approximately 79 percent of the 1,423 sq. ft. of space covered under the prior lease. Ms. Widener reports that the reduction of 300 sq. ft. of space is a result of reconfiguring a portion of the original space to accommodate another concession under a separate lease which will not be subject to future approval by the Board of Supervisors, as noted in City Charter Section 9.118, because the Airport space will be leased at a rental amount totaling under $1,000,000 for the five year term of the lease.

Comments: 1. According to Ms. Widener, the proposed lease of 1,123 sq. ft. would result in a reduction of 300 sq. ft. of space previously leased to the proposed lessee at the Airport. The Minimum Annual Guarantee of the prior lease was $152,412.94. The net increase in Minimum Annual Guarantee payable by the proposed lessee to the Airport is calculated as follows:

	Approximate Monthly Cost per Sq. Ft.	Total Sq. Ft.	Approximate Annual Airport Revenues
Old lease	$8.93	1,423	$152,412.94 Minimum Annual Guarantee or 15 percent of gross revenues, whichever was greater
Proposed new lease	$20.41	1,123	$275,001 Minimum Annual Guarantee or 12 percent of gross revenues up to and including $500,000; plus 14 percent of gross revenues from $500,000.01 up to and including $1,000,000; plus 16 percent of gross revenues over $1,000,000, whichever is greater
Net Increase in Minimum Annual Guarantee Payable to the Airport			$122,588.06

2. Since the lease began on January 7, 2001, the proposed resolution should be amended to provide for retroactive authorization.

3. According to Ms. Widener, on October 5, 2000 the Airport issued Invitations to Bid to 31 firms for the subject space. The Airport received the following two bids for this lease: (1) Buth-Na-Bodhaige, Inc., the existing lessee, dba The Body Shop with a Minimum Annual Guarantee of $275,001, and (2) Meritage Skin Care with a Minimum Annual Guarantee of $249,660. On December 19, 2000, the Airport Commission approved the proposed lease of space to the proposed lessee. The bid item, as required of the Airport, was the Minimum Annual Guarantee. The percentages of gross revenues as identified on the first page of this report were required by the Airport from all bidders.

4. The gross revenues achieved by the proposed lessee would need to exceed $1,906,256[1] for the Airport's percentage revenues from the proposed lease to exceed the Minimum Annual Guarantee of $275,001.

[1] $1,906,256 was calculated in the following manner: first $500,000 gross revenues realized by the proposed lessee at 12 percent ($60,000), plus second $500,000 gross revenues realized by the proposed lessee at 14 percent ($70,000), plus gross revenues over $1,000,000, totaling $906,256, realized by the proposed lessee at 16 percent ($145,001). $60,000 plus $70,000 plus $145,001 equals the Minimum Annual Guarantee of $275,001.

5. Ms. Widener reports that actual rental revenues paid to the Airport under the prior lease totaled $1,147,810 in Calendar Year (CY) 1996, $1,174,742 in CY 1997, $1,245,882 in CY 1998, and $1,216,148 in CY 1999.[2] Based on the actual rent of $1,216,148 paid by the lessee in CY 1999, the lessee earned gross revenues of $8,107,653[3] in 1999. Although the Airport has not estimated the proposed lessee's gross revenues for the year 2001, if the $8,107,653 in gross revenues realized by the lessee in CY 1999 were sustained in the future (recognizing that the new lease is 300 sq. ft. less than the prior lease), the Airport would receive rental revenues of $1,267,224[4] annually under the new lease, an increase of $51,076 or 4.2 percent over the prior lease which contained 300 more sq. ft. However, the percentage increase in rent of the proposed lease over the prior lease will grow if the proposed lessee's gross revenues increase in the future because the marginal rent paid by the proposed lessee to the Airport will be based on 16 percent of lessee's gross revenue over $1,000,000 instead of 15 percent under the prior lease.

6. As previously noted, irrespective of the gross revenues realized by the lessee, the Airport will be paid an increase in the Minimum Annual Guarantee for the proposed new lease of $122,588.06 for a lease which contains 300 less sq. ft. over the Minimum Annual Guarantee paid under the prior lease.

Recommendations:

1. Amend the proposed resolution to provide for retroactive authorization, in accordance with Comment No. 2 above.

2. Approve the proposed resolution, as amended.

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[2] To date, figures for actual lease revenue from CY 2000 are not available.

[3] $8,107,653 was calculated by dividing $1,216,148 in lease revenue in CY 1999 by 15 percent, which was the percentage of rent required under the prior lease.

[4] $1,267,224, the potential future lease revenue, was calculated taking the sum of the following: 12 percent of the first $500,000 gross revenues realized by the proposed lessee ($60,000), plus 14 percent of second $500,000 gross revenues realized by the proposed lessee ($70,000), plus 16 percent of $7,107,653 gross revenues realized by the lessee ($1,137,224). $60,000 plus $70,000 plus $1,137,224 equals $1,267,224.

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5. Ms. Widener reports that gross rental revenues realized by The Body Shop under its prior lease totaled $1,245,882 in 1998 and $1,216,148 in 1999[2]. Ms. Widener further reports that, based on 15 percent of gross revenues under the prior lease, the lease revenues paid by the lessee to the Airport for the 12 months ending November 30, 1998 totaled $186,882, and for the 12 months ending November 30, 1999 totaled $182,623. The 15 percent of gross revenue under the prior lease exceeded the Minimum Annual Guarantee of $152,412.94 by $34,469 in 1998 and $30,210 in 1999. Ms. Widener reports that the Airport has not estimated gross revenues under the proposed new lease for 2001 and therefore has not calculated revenues payable to the Airport based on the percentage of gross revenues under the new lease. As previously noted such percentages range from 12 percent to 16 percent.

6. Irrespective of the gross revenues realized by the lessee under the proposed new lease, the Airport will be paid an increase in the Minimum Annual Guarantee for the proposed new lease of $122,588.06 for a lease which contains 300 less sq. ft. over the Minimum Annual Guarantee paid under the prior lease. Further, the Minimum Annual Guarantee of $275,001 under the proposed new lease exceeds the rent paid to the Airport for the 12 month ending November 30, 1999 by $92,378 ($275,001 less $182,623).

Recommendations:

1. Amend the proposed resolution to provide for retroactive authorization, in accordance with Comment No. 2 above.

2. Approve the proposed resolution, as amended.

[2] To date, figures for gross revenue from 2000 are not available.

Item 4 – File 01-0061

Department: Department of Public Health (DPH)

Item: Ordinance adding Section 10.117-126 to the San Francisco Administrative Code, establishing a fund for deposit of sums received under the Substance Abuse and Crime Prevention Act of 2000 and designating the Department of Public Health as the lead agency for administration of the fund.

Description: On November 7, 2000, California voters approved Proposition 36, the Substance Abuse and Crime Prevention Act of 2000. The Act requires that certain non-violent drug possession offenders receive drug treatment services in the community rather than incarceration. The California Department of Alcohol and Drug Programs has allocated funds for counties to receive upon compliance with qualifying terms of the Act. To qualify for funds, the Substance Abuse and Crime Prevention Act of 2000 requires counties to (1) establish a trust fund to deposit and account for the sums received under the Act, and (2) designate a lead agency to administer implementation of the Act.

The proposed ordinance would establish a trust account for the purpose of receiving and accounting for State funds from the Substance Abuse and Crime Prevention Act of 2000, in accordance with Proposition 36, and would designate DPH as the lead agency for implementation of the Act.

Comments: 1. According to Ms. Monique Zmuda of DPH, the State intends to allocate $58.8 million in start-up funds in FY 2000-2001 to various counties throughout California, and $117.6 million annually to those same counties from FY 2001-2002 through FY 2005-2006 for continued implementation of the Act. According to Ms. Zmuda, San Francisco would receive $2,300,665 in FY 2000-2001 start-up funding and, beginning FY 2001-2002, an estimated $4.6 million in funds annually through FY 2005-2006. Expenditure of such funds would be subject to appropriation approval by the Board of Supervisors. The Attachment to this report contains a list of the State's

proposed start-up allocations to each of the counties in California that would receive funding for FY 2000-2001. All such funds are to be used to provide non-violent offenders who are in possession of drugs with drug treatment services in the community instead of incarceration.

2. According to Ms. Zmuda, the initial $2.3 million start-up allocation from the State to the City and County of San Francisco would need to be allocated to City departments by the Board of Supervisors through supplemental appropriations. Ms. Zmuda states, however, that following the start-up period of the remainder of FY 2000-2001, all of the subject State funds would become a part of the regular departmental annual budgets, subject to appropriations approval by the Board of Supervisors. Additionally, funds not spent in any given year would be carried forward to subsequent Fiscal Years, states Ms. Zmuda. According to Ms. Zmuda, while it is clear at this time that a large portion of these funds would need to be allocated to the DPH budget, it has not yet been determined how funds would be apportioned among departments. However, as previously noted the Board of Supervisors would have final appropriations approval of such funds.

Ms. Zmuda notes that the California Department of Alcohol and Drug Programs has recommended that counties receiving Substance Abuse and Crime Prevention Act of 2000 funds designate their respective departments of public health as the lead agency. Ms. Zmuda states that, because of this recommendation, and because public health departments will ultimately be the agencies providing substance abuse counseling as required by the Act, the California Department of Drug and Alcohol expects that most if not all counties receiving funds will designate their respective departments of public health as lead agencies, as is the case in San Francisco.

3. Ms. Zmuda states that all costs of implementation of Substance Abuse and Crime Prevention Act of 2000, including administrative and programmatic costs, would be fully paid for by the funds allocated by the State to the City and County of San Francisco. According to Ms.

Zmuda, the portion of the funds that would be spent to cover administrative costs rather than programmatic costs has not yet been determined. However, all such administrative and programmatic costs would be subject to appropriation approval by the Board of Supervisors.

Recommendation: Approve the proposed resolution.

Attachment

FY 2000-01 Substance Abuse Treatment Trust Funds
Allocation of $58,781,147

County	January 1 2000 Population*	Standard Methodology Allocation**	Number*** of Felony Drug Arrest, Misdemeanor Drug Arrests	Amount of Funds Based on Arrests	Number**** of Treatment Caseload	Amount of Funds Based on Caseload	Total Allocation
ALAMEDA	1,454,300	$1,140,912	13,424	$852,088	4,167	$759,818	$2,752,818
ALPINE	1,190	$74,350	43	$2,729	2	$365	$77,444
AMADOR	34,400	$98,726	164	$10,410	40	$7,294	$116,429
BUTTE	204,000	$223,210	995	$63,158	471	$85,883	$372,250
CALAVERAS	38,500	$101,735	259	$16,440	152	$27,716	$145,891
COLUSA	18,750	$87,239	216	$13,711	135	$24,616	$125,565
CONTRA COSTA	930,000	$756,083	5,879	$373,170	2,308	$420,845	$1,550,097
DEL NORTE	28,000	$94,028	148	$9,394	138	$25,163	$128,586
EL DORADO	152,900	$185,703	727	$46,146	320	$58,349	$290,199
FRESNO	805,000	$664,335	6,889	$373,804	2,512	$458,043	$1,496,182
GLENN	27,100	$93,368	159	$10,093	79	$14,405	$117,865
HUMBOLDT	127,600	$167,133	762	$48,368	170	$30,998	$246,499
IMPERIAL	145,300	$180,125	1,917	$121,682	312	$56,891	$358,697
INYO	18,200	$86,835	110	$6,982	85	$15,499	$109,316
KERN	658,900	$557,100	6,402	$406,367	1,267	$231,027	$1,194,493
KINGS	131,200	$169,776	652	$41,386	161	$29,357	$240,518
LAKE	55,700	$114,360	414	$26,279	199	$36,286	$176,924
LASSEN	33,950	$98,396	75	$4,761	147	$26,804	$129,960
LOS ANGELES	9,884,300	$7,328,414	58,836	$3,734,615	25,666	$4,679,983	$15,743,011
MADERA	117,100	$159,426	400	$25,390	233	$42,486	$227,302
MARIN	249,700	$256,753	680	$43,163	504	$91,900	$391,816
MARIPOSA	16,150	$85,331	87	$5,522	60	$10,941	$101,793
MENDOCINO	87,600	$137,774	761	$48,304	258	$47,044	$233,122
MERCED	210,100	$227,687	1,420	$90,134	276	$50,326	$368,148
MODOC	9,800	$80,670	57	$3,618	41	$7,476	$91,764
MONO	10,900	$81,477	37	$2,349	187	$34,098	$117,924
MONTEREY	399,300	$366,557	2,126	$134,948	567	$103,388	$604,893
NAPA	127,000	$166,693	492	$31,230	312	$56,891	$254,813
NEVADA	91,100	$140,343	274	$17,392	190	$34,645	$192,380
ORANGE	2,828,400	$2,149,482	16,515	$1,048,290	4,353	$793,734	$3,991,505
PLACER	234,400	$245,523	1,155	$73,314	654	$119,252	$438,088
PLUMAS	20,350	$88,413	71	$4,507	215	$39,204	$132,123
RIVERSIDE	1,522,900	$1,191,264	9,029	$573,116	1,950	$355,567	$2,119,946
SACRAMENTO	1,209,500	$961,232	9,002	$571,402	3,169	$577,841	$2,110,475
SAN BENITO	49,800	$110,029	140	$8,886	42	$7,658	$126,574
SAN BERNARDINO	1,689,300	$1,313,399	14,680	$931,813	2,943	$536,632	$2,781,843
SAN DIEGO	2,911,500	$2,210,476	21,448	$1,361,412	5,325	$970,970	$4,542,857
SAN FRANCISCO	801,400	$661,693	10,679	$677,849	5,271	$961,124	$2,300,665
SAN JOAQUIN	566,600	$489,353	3,409	$216,386	1,465	$267,131	$972,870
SAN LUIS OBISPO	245,200	$253,450	1,140	$72,361	410	$74,760	$400,571
SAN MATEO	730,000	$609,286	3,216	$204,136	1,565	$285,365	$1,098,786
SANTA BARBARA	414,200	$377,494	2,672	$169,605	2,250	$410,269	$957,368
SANTA CLARA	1,736,700	$1,348,190	10,573	$671,121	2,610	$475,912	$2,495,223
SANTA CRUZ	255,000	$260,643	2,138	$135,710	595	$108,493	$504,846
SHASTA	167,000	$196,052	1,461	$92,737	271	$49,415	$338,203
SIERRA	3,140	$75,781	23	$1,460	46	$8,388	$85,629
SISKIYOU	44,200	$105,919	255	$16,186	397	$72,390	$194,494
SOLANO	399,000	$366,337	2,360	$149,801	594	$108,311	$624,449
SONOMA	450,100	$403,844	2,712	$172,144	1,533	$279,530	$855,518
STANISLAUS	441,400	$397,458	3,528	$223,940	625	$113,964	$735,361
SUTTER/YUBA	138,600	$175,207	1,025	$65,062	435	$79,319	$319,588
TEHAMA	56,200	$114,727	292	$18,535	193	$35,192	$168,453
TRINITY	13,050	$83,055	113	$7,173	74	$13,493	$103,721
TULARE	368,000	$343,583	3,749	$237,968	683	$124,540	$706,090
TUOLUMNE	53,000	$112,378	152	$9,648	160	$29,175	$151,200
VENTURA	756,500	$628,737	5,315	$337,370	1,245	$227,016	$1,193,122
YOLO	162,900	$193,043	1,256	$79,725	560	$102,112	$374,879
STATEWIDE TOTAL	34,336,380	$29,390,574	231,513	$14,695,287	80,592	$14,695,287	$58,781,147

* Dept. of Finance Population Estimates for January 1, 2000.

** Standard methodology $2,500 per $1 million increase, the remainder distributed per capita.

*** Dept. of Justice, Adult Drug Arrests, 1999.

**** Dept. of Alcohol and Drug Programs, California Alcohol and Drug Data System, based on the number of persons in treatment on November 1,1999.

Item 5 – File 01-0272

Item:	Supplemental appropriation ordinance in the amount of \$100,000 for disaster relief in El Salvador.
Amount:	\$100,000
Source of funds:	General Fund Reserve
Description:	On January 13, 2001 an earthquake measuring 7.6 on the Richter scale occurred in El Salvador reportedly killing over 800 persons and leaving thousands homeless. On February 13, 2001 a second earthquake measuring 6.6 on the Richter scale struck El Salvador. As of the writing of this report, news reports state that 274 persons have been found dead, over 2,000 have been injured and over 15,000 homes have been destroyed. The proposed supplemental appropriation would commit \$100,000 for disaster relief in El Salvador. According to the Office of the Sponsor of the proposed ordinance, an appropriate entity for receipt of the disaster relief contribution has not yet been identified. It is the expectation of the Office of the Sponsor that such a recipient will be identified by the Board of Supervisors meeting of Tuesday, February 20, prior to the Finance Committee meeting of February 21. According to Mr. Steve Kawa of the Mayor's Office, the disaster relief contribution would be disbursed through the Mayor's Office of Economic Development (MOED). Mr. Kawa adds that MOED would be responsible for assuring that the funds are contributed to an appropriate disaster relief organization and used for the intended purpose of providing relief for the El Salvador earthquake victims.
Comment:	In October of 1999, the Board of Supervisors approved an appropriation of \$250,000 for earthquake relief efforts in the City of Taipai. Also, in 1995, \$50,000 was appropriated by the Board of Supervisors for earthquake relief in the City of Osaka following the Kobe earthquake.
Recommendation:	Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

Item 6 - File 01-0108

Note: This item was severed from File No. 00-2087 and continued by the Finance and Labor Committee at its meeting of January 17, 2001, with a request by the Committee that the Assessor-Recorder attempt to reduce the contract with KPMG and instead complete the some of the contract work in-house.

Department: Assessor-Recorder's Office

Item: Ordinance appropriating $726,726 from the General Fund Reserve to fund a contract with KPMG to design and implement a reengineering plan for the Assessor-Recorder's Office for Fiscal Year 2000-01

Amount: $726,726

Source of Funds: General Fund Reserve

Description: The proposed supplemental appropriation for $726,726 was for the purpose of expanding an existing $400,000 contract with KPMG to develop and implement a reengineering plan, and assist in reducing the Department's backlog in the processing of deeds for a total contract cost of $1,126,726, for the Assessor-Recorder's Office for Fiscal Year 2000-01. This reengineering plan analyzes the department's work processes in order to identify changes the department must make to run more effectively. Ms. Onyemem advises that the Assessor-Recorder's Office originally contracted with KPMG, in consultation with the Mayor's and Controller's Offices, in June of 2000 to improve efficiencies in the department. KPMG agreed to identify and re-engineer process inefficiencies, conduct a training needs assessment, provide necessary training, improve customer service and help the department transition into a new computer system. The Assessor-Recorder's Office included $400,000 in its FY 2000-01 budget for this KPMG contract. Ms. Onyemem advises that the Assessor-Recorder's Office negotiated with the Controller's Office to include this $400,000 contract within a larger City contract with KPMG (discussed further in Comment No. 3 below).

According to Ms. Onyemem, in September of 2000, and again in October of 2000, the Assessor-Recorder's Office

requested that KPMG revise and expand the scope of its work plan in the three ways listed below. The Budget Analyst notes that the Assessor-Recorder's Office did have authority to request from KPMG proposals for expanding the scope of the existing $400,000 contract. However, the Assessor-Recorder's Office did not have the authority to finalize the expanded contract discussed below without first obtaining approval from the Board of Supervisors of this subject additional appropriation of $726,726.

As reported to the Finance and Labor Committee on January 17, 2001, this request of $726,726 was for the following three KPMG projects:

(1) After KPMG and the Assessor-Recorder's Office agreed to the terms of the original $400,000 contract, in September of 2000 the Assessor-Recorder's Office directed KPMG to help manage and facilitate the reduction of the department's backlog in processing deeds, a priority for the Assessor-Recorder's Office. The proposed expanded work plan would expand the original contract by $207,926 to reduce the Assessor-Recorder's backlog in processing deeds.

(2) KPMG also agreed to expand the scope of its contract with the Assessor-Recorder's Office at a cost of $172,664 for the expanded scope management plan. This expanded scope focuses on developing a new management strategy and reorganizing the department.

(3) Finally, KPMG was to implement a reengineering plan for the Assessor-Recorder at a cost of $346,136.

These three component costs of (a) $207,926, (b) $172,664 and (c) $346,136 totaled $726,726, the subject of this request and together with KPMG's existing contract of $400,000 to assist the Assessor, the total contract with KPMG would have been $1,126,726.

A summary budget for the total originally proposed contract costs of $1,126,726 with KPMG were as follows:

SUMMARY	
Reengineering Plan	
Original Budget	$400,000
Expanded Scope/Deed Backlog	207,926*
Revised Subtotal	$607,926
Expanded Scope/Management Plan	172,664*
Implementation of Reengineering Plan	346,136*
Total Contract Costs	**$1,126,726**

*Total of $726,726, which is the subject of this request.

As shown in the table on the following page, the hourly rage being charged by KPMG ranges from $121.28 to $281.14.

Budget for Reengineering Plan: The budget for the originally proposed $1,126,726 contract with KPMG, including the subject $726,726 supplemental appropriation, is as follows:

Contract with KPMG	Hourly Rate	Number of Hours	Total
Reengineering Plan			
Professional Fees			
Managing Director	$281.14	32	8,997
Project Manager	$165.38	418	69,129
Senior Consultants	$148.84	408	60,727
Consultants	$148.84	492	73,229
Analysts	$148.84	504	75,016
Sub-contractor	$121.28	36	4,366
Subtotal Professional Fees		1,890	$291,464
Deed Backlog Completion			
Professional Fees			
Managing Director	$281.14	8	2,249
Project Manager	$165.38	422	69,790
Senior Consultants	$148.84	904	134,551
Analysts	$148.84	144	21,433
Subtotal Professional Fees		1,478	$228,023
Total Professional Fees		3,368	519,487
KPMG's Other Expenses*			88,439
****Subtotal Reengineering/Backlog**		3,368	**$607,926**
Expanded Scope/Management Plan			
Professional Fees			
Managing Director	$281.14	240	$67,474
Project Manager	$165.38	320	52,922
Senior Consultants	$148.84	200	29,768
Subtotal Professional Fees		760	$150,164
KPMG's Other Expenses			22,500
****Subtotal Management Plan**		760	**$172,664**
Estimates for Implementation of Reengineering Plan			
Professional Fees			
Managing Director	$281.14	200	$56,228
Project Manager	$165.38	400	66,152
Senior Consultants	$148.84	400	59,536
Analysts	$148.84	800	119,072
Subtotal Professional Fees		1,800	$300,988
KPMG's Other Expenses			45,148
Subtotal Implementation Estimates		1,800	**$346,136**
Total KPMG Contract		5,928	**$1,126,726**
Less $400,000 included in FY 2000-01 Budget			(400,000)
Total Supplemental Appropriation			**$726,726**

* Other Expenses include mileage, parking, meals and housing.
** Already expended or incurred (See Comment No. 1 below).

Comments on Reengineering Plan:

1. Of this total subject request of $726,726, according to Ms. Onyemem, KPMG has completed its work and incurred expenses for the first two components of this subject request, namely $207,926 for reducing the Assessor's backlog in processing deeds, and $172,664 for the expanded scope management plan. Therefore of this total subject request of $726,726 KPMG has already incurred expenditures of $380,590.

2. The Budget Analyst notes that the Assessor's Office has incurred these additional costs of $380,590 without first obtaining prior appropriation approval by the Board of Supervisors. The Assessor-Recorder's Office did not have the authority to finalize an expanded contract with KPMG for such additional expenditures without first obtaining prior appropriation approval by the Board of Supervisors. Therefore, the Budget Analyst recommends that the proposed ordinance be amended to provide for retroactive authorization.

3. According to Ms. Onyemem, the Assessors Office negotiated with the Controller's Office to include the original $400,000 contract with KPMG within a larger City contract with KPMG in order to begin a reengineering of the department's business practices as soon as possible. According to Mr. Hymel of the Controller's Office, additional services being performed by KPMG are being done under the Controller's City-wide audit contract with KPMG. Mr. Hymel advises that this contract, which was competitively bid and approved by the Civil Service Commission in May of 1999, allows the City to contract with KPMG for as needed auditing and accounting services. The contract with KPMG is a three-year contract with two one-year renewal options. Mr. Hymel advises that the original KPMG contractual services for the Assessor-Recorder is limited to $400,000, which was included in the FY 2000-2001 Assessor-Recorder budget and did not include this subject supplemental appropriation request of $726,726 of which KPMG has already incurred expenditures totaling $380,590.

4. At its January 17, 2001 meeting, the Finance and Labor Committee requested that the Assessor-Recorder attempt to reduce the contractual services costs with KPMG and instead complete some of the contract work in-house.

5. In order to reduce costs, related to the third component of KPMG's work, namely the Implementation of the Reengineering Plan, which KPMG was originally to have been paid $346,136, the Assessor now proposes KPMG to be paid $153,544 or $192,592 less as follows:

(a) Development of Duties and Responsibilities Documents and Desk Procedures	$100,285
(b) Implementation of Reclassifications for Appraisers and Clerks	39,300
(c) Related expenses	13,959
Total	$153,544

The details of this reduced amount of $153,544 is shown in the Attachment provided by the Assessor-Recorder.

6. Therefore the proposed supplemental appropriation ordinance for contractual service costs with KPMG should be reduced by $192,592 from $726,726 to $534,134.

7. According to the Assessor-Recorder, the balance of the work needed to complete the Implementation of the Reengineering Plan of $192,592 would be handled by the Assessor's staff on an in-house basis. The Budget Analyst questioned whether the Assessor-Recorder Office has sufficient staffing at this time to dedicate employees to assist in implementing this reengineering plan without forgoing existing needs in the department. The Assessor-Recorder responded that her staff will just work harder to complete such additional work as well as to fulfill their existing responsibilities.

Recommendations:

1. In accordance with Comment Nos. 5 and 6 above, reduce this proposed supplemental appropriation ordinance for contractual services with KPMG by $192,592 from $726,726 to $534,134.

2. Amend the proposed ordinance to provide for retroactive authorization for costs previously incurred, without first obtaining prior appropriation approval from the Board of Supervisors in accordance with Comment No. 2 above.

3. Approval of the proposed ordinance, as amended, is a policy matter for the Board of Supervisors because the Assessor-Recorder's Office did not have the authority to incur additional costs of $380,590 without first obtaining prior appropriation approval from the Board of Supervisors.

Attachment

Contract with KPMG	Hourly Rate	Number of Hours	Total
Revised Estimates for			
Implementation of Reengineering Plan Components			
Professional Fees			
Managing Director	$281.14	22	$6,186
Project Manager	$165.38	344	56,892
Senior Consultants	$148.84	314	46,738
Analysts	$148.84	200	29,769
Subtotal Professional Fees		880	$139,585
KPMG Other Expenses at 10% of Professional Fees			13,959
Total-Implementation Estimates		880	$ 153,544

Source: Assessor-Recorder's Office

Item 7 - File 01-0208

Department: Public Utilities Commission (PUC)
Hetch Hetchy Water and Power (Hetch Hetchy)

Item: Ordinance appropriating $25,400,000 of Hetch Hetchy Operating Fund monies to fund the purchase of electrical power to meet municipal and contractual obligations for fiscal year 2000-2001.

Amount: $25,400,000

Description: Due to problems with Hetch Hetchy's computer system, the department was unable to provide the Budget Analyst with requested information. Therefore, Ms. Laurie Park, Acting General Manager of Hetch Hetchy, has requested that the Finance Committee continue the proposed supplemental appropriation for one week.

Recommendation: Continue this item for one week as requested by Hetch Hetchy.

Item 8 – File 00-2067

Note: This item was re-referred to the Audit and Government Efficiency Committee by the Board of Supervisors at its meeting of January 16, 2001 and was subsequently transferred to the Finance Committee because of concerns expressed about the Public Library utilizing a collection agency for delinquent accounts.

Department: Public Library

Item: Ordinance amending the San Francisco Administrative Code by adding Section 8.21-2 to authorize the Library Commission to revise certain fines and fees for the use of library materials and services and ratifying prior fines and fees.

Description: The proposed ordinance amends Chapter 8 of the San Francisco Administrative Code by adding Section 8.21-2, to:

- Add a fee schedule for overdue fines, library card replacement, processing fees, replacement of lost materials, lost/damaged fees, service fees, document delivery and special services.
- Ratify prior fees and fines.

Attachment I, provided by the Public Library, provides an overview of the Library's existing and proposed fines and fees, as contained in the proposed ordinance.

Attachment II, provided by the Public Library, identifies the amount of change for each fine and fee and provides an explanation of the differences between the Public Library's existing fines and fees and the proposed fines and fees. According to Mr. George Nichols of the Public Library, the largest decrease in revenue would result from the elimination of both the $0.50 Interlibrary Loan Fee[1]

[1] The $0.50 Interlibrary Loan Fee is currently charged to Public Library patrons when they request a book or other items that are not available in the San Francisco Public Library system. The Interlibrary Loan Fee covers the cost of notifying the patron that the material requested from libraries in other jurisdictions has been received by the Public Library and is available for loan.

and the $0.50 Reserve Fee[2], which are proposed to be deleted in order to enhance the public's use of the Library's collection. According to Mr. Nichols, eliminating the Interlibrary Loan Fee and Reserve Fee will result in a revenue loss of approximately $16,000 annually.

One of the proposed new fees is a $10 fee for the Recovery of Delinquent Accounts. The Public Library has recently contracted with the Unique Management Collection Agency, selected through a Request for Proposals process, to pursue delinquent accounts that are 90 days late, with a total value of at least $50.00 per account. According to Mr. Nichols, this new $10 Recovery of Delinquent Accounts Fee would cover the cost of the collection service as well as the Public Library's cost of processing returned materials. Of the $10 Recovery of Delinquent Accounts Fee, $8.95 would be paid to the collection agency and $1.05 would be kept by the Public Library. Mr. Nichols states that although the Public Library's purpose in implementing this collection program is to recover overdue books and materials, additional revenue will result from the Recovery of Delinquent Accounts Fee as well as from fines and fees paid when overdue materials are returned. Furthermore, Mr. Nichols states that costs would be avoided as returned materials would not have to be replaced.

Comments:

1. As shown in Attachment III, provided by the Public Library, the estimated annual revenues to be realized from the Public Library's revised fine and fee schedule would be $537,626 which is approximately an increase of 11.9 percent or $57,041 more than the actual fines and fees of $480,585 collected by the Public Library in FY 1999-2000.

2. Mr. Nichols states that the amount of fines and fees to be collected on an annual basis should fully recover the Public Library's costs including the costs paid to the collection agency as well as the Public Library's costs to

[2] The $0.50 Reserve Fee is currently charged to Public Library patrons when they request a book or other item that is stocked by the Public Library but is not available because it has been checked out. The Reserve Fee covers the cost of notifying the patron that the material requested has been returned, placed on reserve, and is available to be checked out.

replace lost, stolen, or damaged materials and other related processing costs.

3. Attachment IV, provided by the Public Library, provides information as to how the proposed fines and fees were determined. According to Mr. Nichols, the proposed fines and fees schedule was approved on September 5, 2000 by the Library Commission. Mr. Nichols reports that the Public Library's fines and fees were last revised in 1994.

4. According to Ms. Susan Hildreth of the Public Library, the only fine or fee not currently in effect is the $10 Recovery of Delinquent Accounts Fee.

5. According to Mr. Buck Delventhal of the City Attorney's Office, prior to the City's 1996 Charter, the Library Commission had the authority to set the Public Library's fines and fees. In accordance with the 1996 Charter Section 2.109, the Board of Supervisors must approve by ordinance any rate, fee, or similar charge to be imposed by any City department. Currently there is no section in the City's Administrative Code for Library fines and fees. Mr. Delventhal states that the proposed ordinance would establish the fines and fees of the Public Library as well as ratify (a) the existing fines and fees and (b) the proposed revised fines and fees.

Recommendation: Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

Harvey M. Rose

Supervisor Leno
Supervisor Peskin
Supervisor Gonzalez
Clerk of the Board
Controller
Steve Kawa

12/19/00

LIBRARY FINES FEES

	CURRENT						PROPOSED					
	ADULT		TEENS		JUVENILES		ADULT		TEENS		JUVENILES	
FINES	Per Day	Max	Per Day	Max	Per Day	Max	Per Day	Max	Per Day	Max	Per Day	Max
Books	$ 0.10	$ 5.00	$ -	$ -	$ -	$ -	$ 0.10	$ 5.00	$ -	$ -	$ -	$ -
Phonorecords	$ 0.10	$ 5.00	$ -	$ -	$ -	$ -	$ 0.10	$ 5.00	$ -	$ -	$ -	$ -
Audio Cassettes	$ 0.10	$ 5.00	$ -	$ -	$ -	$ -	$ 0.10	$ 5.00	$ -	$ -	$ -	$ -
Books on Tape	$ 0.10	$ 5.00	$ -	$ -	$ -	$ -	$ 0.10	$ 5.00	$ -	$ -	$ -	$ -
Compact Discs	$ 0.50	$ 10.00	$ -	$ -	$ -	$ -	$ 0.10	$ 5.00	$ -	$ -	$ -	$ -
Magazines	$ 0.10	Cost	$ -	$ -	$ -	$ -	$ 0.10	$ 5.00	$ -	$ -	$ -	$ -
Paperback (Catalogued)	$ 0.10	$ 5.00	$ -	$ -	$ -	$ -	$ 0.10	$ 5.00	$ -	$ -	$ -	$ -
Paperback (Uncatalogued)	$ 0.10	$ 0.50	$ -	$ -	$ -	$ -	$ 0.10	$ 2.00	$ -	$ -	$ -	$ -
Art Prints	$ 1.00	$ 10.00	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Video & DVD	$ 1.00	$ 10.00	$ 1.00	$ 10.00	$ 1.00	$ 10.00	$ 1.00	$ 5.00	$ -	$ -	$ -	$ -
Supplemental Materials/Booklets	$ 0.25	$ 3.00	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Sheet Music	Varies	Varies	$ -	$ -	$ -	$ -	$ 0.10	$ 5.00	$ -	$ -	$ -	$ -
Orchestral Material/Music Sets	$ 0.25	$ 10.00	$ -	$ -	$ -	$ -	$ 0.25	$ 10.00	$ -	$ -	$ -	$ -
Vertical File Materials	$ 0.10	$ 5.00	$ -	$ -	$ -	$ -	$ 0.10	$ 5.00	$ -	$ -	$ -	$ -

FEES	Per Day	Max	Per Day	Max	Per Day	Max	Per Day	Max	Per Day	Max	Per Day	Max
Library Card Replacement		$ 2.00		$ 0.50		$ 0.50		$ 1.00		$ 0.50		$ 0.50
Visitors Card (Non-California Resident)		$ 20.00		$ 20.00		$ 20.00		$ 10.00		$ 10.00		$ 10.00
Processing fee (lost catalogued material)		$ 5.00		$ 5.00		$ 5.00		$ 5.00		$ 5.00		$ 5.00
Processing fee (lost uncatalogued material)		$ 2.00		$ 2.00		$ 2.00		$ -		$ -		$ -
Books by Mail		$ -		$ -		$ -		$ 3.00		$ 3.00		$ 3.00
Interlibrary Loan (ILL)		$ 0.50		$ 0.50		$ 0.50		$ -		$ -		$ -
Reserve Fee		$ 0.50		$ 0.50		$ 0.50		$ -		$ -		$ -
Returned Check Fee	per Chk.	$ 10.00		$ 10.00		N/A	per Chk.	$ 10.00		$ 10.00		N/A
Recovery of Delinquent Accounts		$ -					per Acct.	$ 10.00				
Interlibrary Loan (ILL) Photocopy Fee	per page	$ 0.15	per page	$ 0.15	per page	$ 0.15	per page	$ 0.25	per page	$ 0.25	per page	$ 0.25
SF History Center Photocopy Fee	per photo	$ 1.00	per photo	$ 1.00	per photo	$ 1.00	per photo	$ 1.00	per photo	$ 1.00	per photo	$ 1.00
SF History Center Reproduction Fee		$ 15.00		$ 15.00		$ 15.00		$ 15.00		$ 15.00		$ 15.00
Barcode Label		$ 0.25		$ 0.25		$ 0.25		$ 0.25		$ 0.25		$ 0.25
Damaged Barcode & Flyleaf		$ -		$ -		$ -		$ 1.00		$ 1.00		$ 1.00
Crayoning a single page		$ 0.25		$ 0.25		$ 0.25		$ -		$ -		$ -
Damaged Date Due Slip		$ 0.10		$ 0.10		$ 0.10		$ -		$ -		$ -
Damaged Mylar Book Cover		$ 0.25		$ 0.25		$ 0.25		$ -		$ -		$ -
Damaged Plastic PD Sleeve		$ 1.00		$ 1.00		$ 1.00		$ -		$ -		$ -

Source: SF Public Library

~ME00008.xls

REPLACEMENT COSTS	CURRENT						PROPOSED					
	ADULT		TEENS		JUVENILES		ADULT		TEENS		JUVENILES	
	Per Item	Max	Per Item	Max	Per Item	Max	Per Item	Max	Per Item	Max	Per Item	Max
Hardback Non-fiction	$ 25.00	$ 30.00	$ 25.00	$ 30.00	$ 12.00	$ 17.00	$ 35.00	$ 40.00	$ 35.00	$ 40.00	$ 20.00	$ 25.00
Hardback Fiction	$ 18.00	$ 23.00	$ 18.00	$ 23.00	$ 12.00	$ 18.00	$ 25.00	$ 30.00	$ 25.00	$ 30.00	$ 15.00	$ 20.00
Paperback Catalogued Non-fiction	$ -	$ 15.00	$ -	$ 15.00	$ -	$ 10.00	$ 20.00	$ 25.00	$ 20.00	$ 25.00	$ 10.00	$ 15.00
Paperback Catalogued Fiction	$ -	$ 5.00	$ -	$ 5.00	$ -	$ 5.00	$ 10.00	$ 15.00	$ 10.00	$ 15.00	$ 5.00	$ 10.00
Paperback Uncatalogued	$ 5.00	$ -	$ 5.00	$ -	$ 5.00	$ -	$ 5.00	$ -	$ 5.00	$ -	$ 5.00	$ -
PB/HB International Generic Record	$ 5.00	$ 10.00	$ 5.00	$ 10.00	$ 5.00	$ 10.00	$ 5.00	$ 15.00	$ 5.00	$ 15.00	$ 5.00	$ 15.00
Periodicals/Magazines	$ 3.00	$ -	$ 3.00	$ -	$ 3.00	$ -	$ 5.00	$ -	$ 5.00	$ -	$ 5.00	$ -
Phonorecords	$ 9.00	$ -	$ 9.00	$ -	$ 9.00	$ -	$ 15.00	$ 20.00	$ 15.00	$ 20.00	$ 15.00	$ 20.00
Audio Cassettes	$ 11.00	$ -	$ 11.00	$ -	$ 11.00	$ -	$ 10.00	$ -	$ 10.00	$ -	$ 10.00	$ -
Videos	VARIES	VARIES	VARIES	VARIES	VARIES	VARIES	$ 20.00	$ 25.00	$ 20.00	$ 25.00	$ 20.00	$ 25.00
Digital Video Disc (DVD)	$ -	$ -	$ -	$ -	$ -	$ -	$ 20.00	$ 25.00	$ 20.00	$ 25.00	$ 20.00	$ 25.00
Audio Books	$ 5.00	per tape	$ 5.00	per tape	$ 5.00	per tape	$ 5.00	per tape	$ 5.00	per tape	$ 5.00	per tape
Sheet Music Scores		SET BY ART DEPARTMENT						SET BY ART DEPARTMENT				
Sheet Music (Uncatalogued)		SET BY ART DEPARTMENT						SET BY ART DEPARTMENT				
Sup. Materials (I.e., booklets, maps, etc.)	$ 3.00		$ 3.00		$ 3.00		$ 3.00		$ 3.00		$ 3.00	
Compact Discs	VARIES		VARIES		VARIES		$ 15.00	$ 20.00	$ 15.00	$ 20.00	$ 15.00	$ 20.00
Language Sets	$ 10.00		$ 10.00		$ 10.00		$ 10.00		$ 10.00		$ 10.00	
Vertical File/Picture File	$ 2.00		$ 2.00		$ 2.00		$ 5.00		$ 5.00		$ 5.00	
Lost Audio Cassette Case	$ 1.00		$ 1.00		$ 1.00		$ 1.00		$ 1.00		$ 1.00	
Lost Videocassette Case	$ 3.00		$ 3.00		$ 3.00		$ 2.00		$ 2.00		$ 2.00	
Lost CD Jewel Case	$ -		$ -		$ -		$ 1.00		$ 1.00		$ 1.00	

Source: SF Public Library

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12/19/00

LIBRARY FINES FEES

FINES	CHANGE						EXPLANATION OF CHANGE
	ADULT		TEENS		JUVENILES		
	Per Day	Max	Per Day	Max	Per Day	Max	
Books	$ -	$ -	$ -	$ -	$ -	$ -	
Phonorecords	$ -	$ -	$ -	$ -	$ -	$ -	
Audio Cassettes	$ -	$ -	$ -	$ -	$ -	$ -	
Books on Tape	$ -	$ -	$ -	$ -	$ -	$ -	
Compact Discs	$ (0.40)	$ (5.00)	$ -	$ -	$ -	$ -	Daily and maximum fines reduced so that they will be consistent with other daily and maximum fines.
Magazines	$ -	VARIES	$ -	$ -	$ -	$ -	Maximum fine changed so that it will be consistent with other maximum fines.
Paperback (Catalogued)	$ -	$ -	$ -	$ -	$ -	$ -	
Paperback (Uncatalogued)	$ -	$ 1.50	$ -	$ -	$ -	$ -	Maximum fine increased as an incentive for patrons to return material in a timely manner. Current maximum of $0.50 is not sufficient.
Art Prints	$ (1.00)	$ (10.00)	$ -	$ -	$ -	$ -	Don't have art prints in circulation anymore.
Video & DVD	$ -	$ (5.00)	$ (1.00)	$ (10.00)	$ (1.00)	$ (10.00)	Adult maximum fine reduced to make it consistent with other maximum fines. Fees eliminated for children and teens consistent with policy not to charge late fees to this group of users.
Supplemental Materials/Booklets	$ (0.25)	$ (3.00)	$ -	$ -	$ -	$ -	Items aren't catalogued and are not tracked. Fines not generally assessed.
Sheet Music	VARIES	VARIES	$ -	$ -	$ -	$ -	Daily and maximum fines changed so that they would be consistent with other daily and maximum fines.
Orchestral Material/Music Sets	$ -	$ -	$ -	$ -	$ -	$ -	
Vertical File Materials	$ -	$ -	$ -	$ -	$ -	$ -	

FEES	Per Day	Max	Per Day	Max	Per Day	Max	EXPLANATION OF CHANGE
Library Card Replacement		$ (1.00)		$ -		$ -	purchasing a debit card for $1.00 and registering it as a library card. Registration is free. The Library will continue to charge $1.00 to patrons who do not want to buy a debit card.
Visitors Card (Non-California Resident)		$ (10.00)		$ (10.00)		$ (10.00)	Current fee includes $10 refundable deposit after 3 months. Deposit was imposed to ensure return of materials. Currently, most non-State cards are issued for internet access and not for books. Consequently, the deposit is not required.
Processing fee (lost catalogued material)		$ -		$ -		$ -	
Processing fee (lost uncatalogued material)		$ (2.00)		$ (2.00)		$ (2.00)	coded.
Books by Mail		$ 3.00		$ 3.00		$ 3.00	New fee. Covers cost of shipping and handling of books that are mailed to patrons. Actual amount charge will be $3 or the actual cost of shipping and handling.
Interlibrary Loan (ILL)		$ (0.50)		$ (0.50)		$ (0.50)	Fee eliminated to enhance the use of the collection and to improve public service. Fees deter patrons from access to collection. Very minimal impact on revenue.
Reserve Fee		$ (0.50)		$ (0.50)		$ (0.50)	Fees deter patrons from access to collection. Very minimal impact on revenue. Most reserves are made via email/computer eliminating the cost of post card and postage.
Returned Check Fee		$ -		$ -		N/A	
Recovery of Delinquent Accounts	per Acct.	$ 10.00		$ -		$ -	New fee. Library has contracted with a collection service to pursue materials that are 90 days late and valued over $50.
Interlibrary Loan (ILL) Photocopy Fee	per page	$ 0.10	per page	$ 0.10	per page	$ 0.10	Increased to reflect cost of copying.
SF History Center Photocopy Fee	per photo	$ -	per photo	$ -	per photo	$ -	
SF History Center Reproduction Fee		$ -		$ -		$ -	
Barcode Label		$ -		$ -		$ -	
Damaged Barcode & Flyleaf		$ 1.00		$ 1.00		$ 1.00	Labor intensive process if bar code is damaged.
Crayoning a single page		$ (0.25)		$ (0.25)		$ (0.25)	Fee eliminated as it is difficult or impossible to determine whether damage was a pre-existing condition. Administratively unenforceable.
Damaged Date Due Slip		$ (0.10)		$ (0.10)		$ (0.10)	Fee eliminated as it is difficult or impossible to determine whether damage was a pre-existing condition. Administratively unenforceable.
Damaged Mylar Book Cover		$ (0.25)		$ (0.25)		$ (0.25)	Fee eliminated as it is difficult or impossible to determine whether damage was a pre-existing condition. Administratively unenforceable.
Damaged Plastic PD Sleeve		$ (1.00)		$ (1.00)		$ (1.00)	Fee eliminated as it is difficult or impossible to determine whether damage was a pre-existing condition. Administratively unenforceable.

Source: SF Public Library

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12/19/00

LIBRARY FINES FEES

REPLACEMENT COSTS	CHANGE ADULT Per Item	ADULT Max	TEENS Per Item	TEENS Max	JUVENILES Per Item	JUVENILES Max	EXPLANATION OF CHANGE
Hardback Non-fiction	$ 10.00	$ 10.00	$ 10.00	$ 10.00	$ 8.00	$ 8.00	
Hardback Fiction	$ 7.00	$ 7.00	$ 7.00	$ 7.00	$ 3.00	$ 2.00	
Paperback Catalogued Non-fiction	$ 20.00	$ 10.00	$ 20.00	$ 10.00	$ 10.00	$ 5.00	
Paperback Catalogued Fiction	$ 10.00	$ 10.00	$ 10.00	$ 10.00	$ 5.00	$ 5.00	
Paperback Uncatalogued	$ -	$ -	$ -	$ -	$ -	$ -	
PB/HB International Generic Record	$ -	$ 5.00	$ -	$ 5.00	$ -	$ 5.00	Revised amounts reflect current replacement costs for various materials.
Periodicals/Magazines	$ 2.00	$ -	$ 2.00	$ -	$ 2.00	$ -	These amounts are used only when materials cannot be located or found
Phonorecords	$ 6.00	$ 20.00	$ 6.00	$ 20.00	$ 6.00	$ 20.00	through a bibliographic services such as Amazon.Com or Bowkers Annual.
Audio Cassettes	$ (1.00)	$ -	$ (1.00)	$ -	$ (1.00)	$ -	Estimated that less than 5% of materials cannot be located through these
Videos	VARIES	VARIES	VARIES	VARIES	VARIES	VARIES	sources. The Library will assess fair market value for lost items based on
Digital Video Disc (DVD)	$ 20.00	$ 25.00	$ 20.00	$ 25.00	$ 20.00	$ 25.00	quotes from bibliographic sources. Replacement charges are in addition to
Audio Books	$ -	N/A	$ -	N/A	$ -	N/A	processing fees.
Sheet Music Scores			NO CHANGE				
Sheet Music (Uncatalogued)			NO CHANGE				
Sup. Materials (I.e., booklets, maps, etc.)	$ -		$ -		$ -		
Compact Discs	VARIES	$ 20.00	VARIES	$ 20.00	VARIES	$ 20.00	New fee. DVDs a growing part of the Library's circulation.
Language Sets	$ -		$ -		$ -		
Vertical File/Picture File	$ 3.00		$ 3.00		$ 3.00		
Lost Audio Cassette Case	$ -		$ -		$ -		
Lost Videocassette Case	$ (1.00)		$ (1.00)		$ (1.00)		
Lost CD Jewel Case	$ 1.00		$ 1.00		$ 1.00		

Source: SF Public Library

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2/15/01

DEPARTMENTAL REVENUE
Public Library

	ACTUAL FY 1999-2000	PROJECTED ANNUAL REVENUE
Books Paid	$ 43,261	$ 41,548
Fines & Fees	$ 418,819	$ 479,512
Reserves	$ 14,814	$ 14,901
ILL Fee	$ 3,691	$ 1,665
	$ 480,585	$ 537,626

FY 1999-00 per FAMIS.
No decreases in departmental revenues are expected as a result of the proposed fine and fee schedule.

SUPPLEMENTAL MATERIAL
FINES & FEES ORDINANCE AND FORTUNIO RESOLUTION
December 19, 2000

FINES & FEES

How were fines & fees determined? What process did the library go through to determine the new fee schedule?

The revision of the fines and fees schedule has been under consideration by the Library for more than seven years (since 1994). The key factors considered in this review were customer-friendly policies and policies that best protected the Library's collection. Fines and fees schedules for other public libraries in the Bay Area were surveyed to determine regional benchmarks and best practices in this area. The impact of newer formats, services and technologies also was a determining factor in revising the fines and fees schedule. For example, the implementation of a vendor-supplied debit card -- which provides library cards with $1.00 photocopy value for the price of $1.00 – was inconsistent with the standard library charge of $2 for a replacement library card. Other new services include the implementation of a collection recovery program aimed at protecting the collection (see below for details) and a books-by-mail service for customer convenience.

The fines & fees schedule was determined after many meetings of the public services staff and review and approval by the Library Commission at several public meetings. The proposed schedule reflects modern techniques of pricing materials and includes new media formats (DVD). One of the most important changes for customer service is the elimination of the $.50 charge for reserves for materials owned by the Library and materials borrowed from other libraries. Elimination of this charge makes the entire collection available for anyone's use, no matter which branch they choose to visit. The proposed fines and fees schedule was devised to serve as an incentive plan to return materials in a timely manner.

What is the relationship between the fines assessed and the cost to the library?

Fines for overdue materials act as an abatement to the cost of sending out notices that remind people to return their materials. The cost of replacement of lost materials has been modified to reflect that the most up-to-date information sources will be checked to determine that cost. If that information is not available, then a default "standard price" of materials will be used, which is based on current average pricing for materials. The application of a consistent "processing fee" attempts to recover a portion of the library's investment in the average cost of cataloging and processing materials. If there is no processing or cataloging (i.e. paperback books), we are recommending that the processing fee not be applied.

The Library's Mission Statement states "The Library is dedicated to free and equal access to information...." To effect this mission, the public and the staff believe that it is in the best interest of the library to make all of its materials accessible via reserves to all patrons for free. Similarly, since we are not charged for the interlibrary loan of books from other libraries, the staff and public believes the Library should not charge customers for access to the materials of other libraries.

Source: SF Public Library

SUPPLEMENTAL MATERIAL
FINES & FEES ORDINANCE AND FORTUNIO RESOLUTION
December 19, 2000

How will the collection program work? Who gets referred and what criteria will be used?

Customers who have not returned materials worth more than $50.00 that are more than 45 days overdue will be electronically sent to the Collection Agency by the Library's automated system. Currently, library customers receive only one notice when material is overdue. With the Collections process, the Library will implement a second overdue notice to alert customers that not returning materials may result in the referral of their account to a collection agency. We have a written agreement with the Tax Collector to assume this collection duty through a third party library vendor. We believe that lowered fines and fees combined with a collection agency program will stimulate both the use and the return of library items.

Source: SF Public Library

0.25

8/01

City and County of San Francisco
Meeting Minutes
Finance Committee

Members: Supervisors Mark Leno, Aaron Peskin and Matt Gonzalez

Clerk: Gail Johnson

Wednesday, February 28, 2001 | **10:00 AM** | **City Hall, Room 263**

Regular Meeting

Members Present: Mark Leno, Aaron Peskin, Matt Gonzalez.

MEETING CONVENED

The meeting convened at 10:08 a.m.

002067 [Library Fines and Fees]

Supervisor Newsom

Ordinance amending the San Francisco Administrative Code by adding Section 8.21-2 to authorize the Library Commission to charge certain fines and fees for the use of library materials and services and ratifying prior fines and fees.

11/20/00, ASSIGNED UNDER 30 DAY RULE to Audit and Government Efficiency Committee, expires on 12/20/2000. Sponsor: Supervisor Kaufman

1/2/01, RECOMMENDED AS COMMITTEE REPORT. Heard in Committee. Speakers: Susan Hildreth, City Librarian; Supervisor Katz; Peter Warfield.
To Board as Committee Report January 2, 2001.

1/2/01, PASSED, ON FIRST READING. Supervisor Newsom requested to be added as co-sponsor.

1/16/01, SEVERED FROM CONSENT AGENDA. Supervisor Yee requested this matter be severed so it could be considered separately.

1/16/01, RE-REFERRED to Audit and Government Efficiency Committee.

2/1/01, TRANSFERRED to Finance Committee. New committee structure.

2/21/01, CONTINUED. Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Susan Hildreth, Acting City Librarian; Dorothy Copely, Public Library; Edward Harrington, Controller; George Nichols, Finance Director, Public Library; James Chafee; Theodore Lakey, Deputy City Attorney; Peter Warfield; Nicole Termini; Deetje Boler; Michael Farrah, Legislative Assistant to Supervisor Newsom.
Continued to 2/28/01.

Heard in Committee. Speakers: Susan Hildreth, Acting City Librarian; James Chafee; Timothy West, Field Representative, Local 790; Peter Warfield; Deetje Boler; George Nichols, Finance Director, Public Library. Amended on page 5 by adding Section 2, listing the conditions under which the Board of Supervisors is approving the agreement between the Public Library and Unique Management Collection Agency for the recovery of delinquent accounts.

AMENDED.

RECOMMENDED AS AMENDED by the following vote:

Ayes: 2 - Leno, Peskin
Noes: 1 - Gonzalez

010105 **[Geographic Information System Data License Fees]**

Ordinance amending the San Francisco Administrative Code by adding Section 8.40 to authorize the Department of Public Works to charge license fees for the use of the City's Base Map Geographic Information System ("GIS") data and ratifying prior fees. (Public Works Department)

1/17/01, RECEIVED AND ASSIGNED to Transportation and Land Use Committee.

2/1/01, TRANSFERRED to Finance Committee. New committee structure.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Douglas Legg, Finance and Budget Division, Department of Public Works; Jeffrey Johnson, Office of Geographic Data Services, Department of Public Works; Denise Brady, Deputy Director, Department of Telecommunications and Information Services; Erin McGrath, Mayor's Budget Office, Theodore Lakey, Deputy City Attorney.

CONTINUED TO CALL OF THE CHAIR by the following vote:

Ayes: 3 - Leno, Peskin, Gonzalez

010252 **[Reserved Funds, PUC-Water Department]**

Hearing to consider release of reserved funds, Water Department (fiscal year 2000-2001 budget), in the amount of $511,891, to fund overtime expenditures, especially in responding to emergencies such as main breaks and service line leaks. (Water Department)

2/7/01, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Kingsley Okereke, Director of Finance, Public Utilities Commission; John Mullane, General Manager, Public Utilities Commission.
Release of reserved funds in the amount of $511,891 approved.

APPROVED AND FILED by the following vote:

Ayes: 3 - Leno, Peskin, Gonzalez

010208 **[Government funding, Hetch Hetchy's power purchases]**

Ordinance appropriating $25,400,000 of Hetch Hetchy Operating Fund to fund the purchase of power to meet municipal and contractual obligations for fiscal year 2000-01. (Controller)

(Fiscal impact.)

1/31/01, RECEIVED AND ASSIGNED to Finance Committee.

2/21/01, CONTINUED. Heard in Committee. Speakers: None.
Continued to 2/28/01.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Laurie Park, Acting General Manager, Hetch Hetchy Water and Power; Ken Bruce, Budget Analyst's Office; Theodore Lakey, Deputy City Attorney; Theresa Mueller, Deputy City Attorney; John Bardis.
Amendment of the Whole prepared in Committee, which amended funding sources and placed $1,781,912 on reserve.
(Hetch Hetchy was requested to provide a report to the Finance Committee on the status of Hetch Hetchy's projected deficit for the purchase of electrical power for resale by May 1, 2001.)

AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE.

Ordinance appropriating $25,400,000 of Hetch Hetchy Operating Fund to fund the purchase of power to meet municipal and contractual obligations for fiscal year 2000-01; placing $1,781,912 on reserve. (Controller)

(Fiscal impact.)

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Leno, Peskin, Gonzalez

010145 **[Sublease of Treasure Island Brig Facility for Sheriff's Department]**

Resolution approving a sublease, retroactive to July 1, 2000, between the City and County of San Francisco (The "City") and the Treasure Island Development Authority (The "Authority") for certain property on Treasure Island commonly known as the Brig (Buildings 670 and 671) located at the corner of 13th and M Streets on Treasure Island, for an annual rent not to exceed $250,000 per year. (Real Estate Department)

(Fiscal impact.)

1/24/01, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Michael Hennessey, Sheriff; Jean Mariani, Chief Financial Officer, Sheriff's Department; Annemarie Conroy, Executive Director, Treasure Island Development Authority; Anthony Delucchi, Director of Property, Real Estate Division, Administrative Services Department.

Continued to 3/14/01.

CONTINUED by the following vote:

Ayes: 3 - Leno, Peskin, Gonzalez

010270 **[Appropriation, funding for earthquake relief to India]**

Mayor, Supervisor Peskin

Ordinance appropriating $100,000 from the General Fund Reserve for the Indo-American Trade and Commerce Council's Gujarat Earthquake Relief Fund for fiscal year 2000-01.

2/12/01, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speaker: Harvey Rose, Budget Analyst.

RECOMMENDED by the following vote:

Ayes: 3 - Leno, Peskin, Gonzalez

010273 **[Appropriation, funding the increase of services of the Budget Analyst]**

Supervisors Ammiano, Gonzalez

Ordinance appropriating $218,208 of the General Reserve Fund to fund the increase of services provided by the Board of Supervisor's Budget Analyst for fiscal year 2000-01.

2/12/01, RECEIVED AND ASSIGNED to Finance Committee.

2/20/01, SUBSTITUTED. Supervisor Ammiano submitted a substitute ordinance bearing same title.

2/20/01, ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Supervisor Ammiano; Ken Bruce, Budget Analyst's Office; Edward Harrington, Controller.

RECOMMENDED by the following vote:

Ayes: 3 - Leno, Peskin, Gonzalez

010223 **[Transfer of state funds to improve access to mental health treatment for children in foster care and other children placed outside of San Francisco]**

Resolution endorsing the transfer of state general funds from the state to the California Mental Health Directors Association for a contract to provide services to foster care and other Medi-Cal eligible children placed outside of San Francisco. (Public Health Department)

2/2/01, RECEIVED AND ASSIGNED to Public Health and Environment Committee.

2/22/01, TRANSFERRED to Finance Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Dr. Albert Eng, Department of Public Health.

RECOMMENDED.. by the following vote:

Ayes: 3 - Leno, Peskin, Gonzalez

ADJOURNMENT

The meeting adjourned at 1:51 p.m.

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST
1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

February 22, 2001

TO: Finance Committee

FROM: Budget Analyst

SUBJECT: February 28, 2001 Finance Committee Meeting

Item 1 – File 00-2067

Note: This item was continued by the Finance Committee at its meeting of February 21, 2001.

Department: Public Library

Item: Ordinance amending the San Francisco Administrative Code by adding Section 8.21-2 to authorize the Library Commission to revise certain fines and fees for the use of library materials and services and ratifying prior fines and fees.

Description: The proposed ordinance amends Chapter 8 of the San Francisco Administrative Code by adding Section 8.21-2, to:

- Add a fee schedule for overdue fines, library card replacement, processing fees, replacement of lost materials, lost/damaged fees, service fees, document delivery and special services.

- Ratify prior fees and fines.

Attachment I, provided by the Public Library, provides an overview of the Library's existing and proposed fines and fees, as contained in the proposed ordinance.

Attachment II, provided by the Public Library, identifies the amount of change for each fine and fee and provides an explanation of the differences between the Public Library's existing fines and fees and the proposed fines and fees. According to Mr. George Nichols of the Public Library, the largest decrease in revenue would result from the elimination of both the $0.50 Interlibrary Loan Fee[1] and the $0.50 Reserve Fee[2], which are proposed to be deleted in order to enhance the public's use of the Library's collection. According to Mr. Nichols, eliminating the Interlibrary Loan Fee and Reserve Fee will result in a revenue loss of approximately $16,000 annually.

One of the proposed new fees is a $10 fee for the Recovery of Delinquent Accounts. The Public Library has recently contracted with the Unique Management Collection Agency, selected through a Request for Proposals process, to pursue delinquent accounts that are 90 days late, with a total value of at least $50.00 per account. According to Mr. Nichols, this new $10 Recovery of Delinquent Accounts Fee would cover the cost of the collection service as well as the Public Library's cost of processing returned materials. Of the $10 Recovery of Delinquent Accounts Fee, $8.95 would be paid to the collection agency and $1.05 would be kept by the Public Library. Mr. Nichols states that although the Public Library's purpose in implementing this collection program is to recover overdue books and materials, additional revenue will result from the Recovery of Delinquent Accounts Fee as well as from fines and fees paid when overdue materials are returned. Furthermore, Mr. Nichols states that costs

[1] The $0.50 Interlibrary Loan Fee is currently charged to Public Library patrons when they request a book or other items that are not available in the San Francisco Public Library system. The Interlibrary Loan Fee covers the cost of notifying the patron that the material requested from libraries in other jurisdictions has been received by the Public Library and is available for loan.

[2] The $0.50 Reserve Fee is currently charged to Public Library patrons when they request a book or other item that is stocked by the Public Library but is not available because it has been checked out. The Reserve Fee covers the cost of notifying the patron that the material requested has been returned, placed on reserve, and is available to be checked out.

would be avoided as returned materials would not have to be replaced.

Comments:

1. As shown in Attachment III, provided by the Public Library, the estimated annual revenues to be realized from the Public Library's revised fine and fee schedule would be $521,060 which is approximately an increase of 8.4 percent or $40,475 more than the actual fines and fees of $480,585 collected by the Public Library in FY 1999-2000.

2. Mr. Nichols states that the amount of fines and fees to be collected on an annual basis should fully recover the Public Library's costs including the costs paid to the collection agency as well as the Public Library's costs to replace lost, stolen, or damaged materials and other related processing costs.

3. Attachment IV, provided by the Public Library, provides information as to how the proposed fines and fees were determined. According to Mr. Nichols, the proposed fines and fees schedule was approved on September 5, 2000 by the Library Commission. Mr. Nichols reports that the Public Library's fines and fees were last revised in 1994.

4. According to Ms. Susan Hildreth of the Public Library, the only fine or fee not currently in effect is the $10 Recovery of Delinquent Accounts Fee.

5. According to Mr. Buck Delventhal of the City Attorney's Office, prior to the City's 1996 Charter, the Library Commission had the authority to set the Public Library's fines and fees. In accordance with the 1996 Charter Section 2.109, the Board of Supervisors must approve by ordinance any rate, fee, or similar charge to be imposed by any City department. Currently there is no section in the City's Administrative Code for Library fines and fees. Mr. Delventhal states that the proposed ordinance would establish the fines and fees of the Public Library as well as ratify (a) the existing fines and fees and (b) the proposed revised fines and fees.

6. Ms. Hildreth was requested to report back to the Committee with respect to the Committee's concerns pertaining (a) to the collection agency contract and procedures and (b) various other Library policies and procedures.

Recommendation: Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

LIBRARY FINES FEES

	CURRENT						PROPOSED					
	ADULT		TEENS		JUVENILES		ADULT		TEENS		JUVENILES	
FINES	Per Day	Max	Per Day	Max	Per Day	Max	Per Day	Max	Per Day	Max	Per Day	Max
Books	$ 0.10	$ 5.00	$ -	$ -	$ -	$ -	$ 0.10	$ 5.00	$ -	$ -	$ -	$ -
Phonorecords	$ 0.10	$ 5.00	$ -	$ -	$ -	$ -	$ 0.10	$ 5.00	$ -	$ -	$ -	$ -
Audio Cassettes	$ 0.10	$ 5.00	$ -	$ -	$ -	$ -	$ 0.10	$ 5.00	$ -	$ -	$ -	$ -
Books on Tape	$ 0.10	$ 5.00	$ -	$ -	$ -	$ -	$ 0.10	$ 5.00	$ -	$ -	$ -	$ -
Compact Discs	$ 0.50	$ 10.00	$ -	$ -	$ -	$ -	$ 0.10	$ 5.00	$ -	$ -	$ -	$ -
Magazines	$ 0.10	Cost	$ -	$ -	$ -	$ -	$ 0.10	$ 5.00	$ -	$ -	$ -	$ -
Paperback (Catalogued)	$ 0.10	$ 5.00	$ -	$ -	$ -	$ -	$ 0.10	$ 5.00	$ -	$ -	$ -	$ -
Paperback (Uncatalogued)	$ 0.10	$ 0.50	$ -	$ -	$ -	$ -	$ 0.10	$ 2.00	$ -	$ -	$ -	$ -
Art Prints	$ 1.00	$ 10.00	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Video & DVD	$ 1.00	$ 10.00	$ 1.00	$ 10.00	$ 1.00	$ 10.00	$ 1.00	$ 5.00	$ -	$ -	$ -	$ -
Supplemental Materials/Booklets	$ 0.25	$ 3.00	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Sheet Music	Varies	Varies	$ -	$ -	$ -	$ -	$ 0.10	$ 5.00	$ -	$ -	$ -	$ -
Orchestral Material/Music Sets	$ 0.25	$ 10.00	$ -	$ -	$ -	$ -	$ 0.25	$ 10.00	$ -	$ -	$ -	$ -
Vertical File Materials	$ 0.10	$ 5.00	$ -	$ -	$ -	$ -	$ 0.10	$ 5.00	$ -	$ -	$ -	$ -

FEES	Per Day	Max	Per Day	Max	Per Day	Max	Per Day	Max	Per Day	Max	Per Day	Max
Library Card Replacement		$ 2.00		$ 0.50		$ 0.50		$ 1.00		$ 0.50		$ 0.50
Visitors Card (Non-California Resident)		$ 20.00		$ 20.00		$ 20.00		$ 10.00		$ 10.00		$ 10.00
Processing fee (lost catalogued material)		$ 5.00		$ 5.00		$ 5.00		$ 5.00		$ 5.00		$ 5.00
Processing fee (lost uncatalogued material)		$ 2.00		$ 2.00		$ 2.00		$ -		$ -		$ -
Books by Mail		$ -		$ -		$ -		$ 3.00		$ 3.00		$ 3.00
Interlibrary Loan (ILL)		$ 0.50		$ 0.50		$ 0.50		$ -		$ -		$ -
Reserve Fee		$ 0.50		$ 0.50		$ 0.50		$ -		$ -		$ -
Returned Check Fee	per Chk.	$ 10.00		$ 10.00		N/A	per Chk.	$ 10.00		$ 10.00		N/A
Recovery of Delinquent Accounts		$ -					per Acct.	$ 10.00				
Interlibrary Loan (ILL) Photocopy Fee	per page	$ 0.15	per page	$ 0.15	per page	$ 0.15	per page	$ 0.25	per page	$ 0.25	per page	$ 0.25
SF History Center Photocopy Fee	per photo	$ 1.00	per photo	$ 1.00	per photo	$ 1.00	per photo	$ 1.00	per photo	$ 1.00	per photo	$ 1.00
SF History Center Reproduction Fee		$ 15.00		$ 15.00		$ 15.00		$ 15.00		$ 15.00		$ 15.00
Barcode Label		$ 0.25		$ 0.25		$ 0.25		$ 0.25		$ 0.25		$ 0.25
Damaged Barcode & Flyleaf		$ -		$ -		$ -		$ 1.00		$ 1.00		$ 1.00
Crayoning a single page		$ 0.25		$ 0.25		$ 0.25		$ -		$ -		$ -
Damaged Date Due Slip		$ 0.10		$ 0.10		$ 0.10		$ -		$ -		$ -
Damaged Mylar Book Cover		$ 0.25		$ 0.25		$ 0.25		$ -		$ -		$ -
Damaged Plastic PD Sleeve		$ 1.00		$ 1.00		$ 1.00		$ -		$ -		$ -

Source: SF Public Library

12/19/00

LIBRARY FINES FEES

REPLACEMENT COSTS	CURRENT						PROPOSED					
	ADULT		TEENS		JUVENILES		ADULT		TEENS		JUVENILES	
	Per Item	Max	Per Item	Max	Per Item	Max	Per Item	Max	Per Item	Max	Per Item	Max
Hardback Non-fiction	$ 25.00	$ 30.00	$ 25.00	$ 30.00	$ 12.00	$ 17.00	$ 35.00	$ 40.00	$ 35.00	$ 40.00	$ 20.00	$ 25.00
Hardback Fiction	$ 18.00	$ 23.00	$ 18.00	$ 23.00	$ 12.00	$ 18.00	$ 25.00	$ 30.00	$ 25.00	$ 30.00	$ 15.00	$ 20.00
Paperback Catalogued Non-fiction	$ -	$ 15.00	$ -	$ 15.00	$ -	$ 10.00	$ 20.00	$ 25.00	$ 20.00	$ 25.00	$ 10.00	$ 15.00
Paperback Catalogued Fiction	$ -	$ 5.00	$ -	$ 5.00	$ -	$ 5.00	$ 10.00	$ 15.00	$ 10.00	$ 15.00	$ 5.00	$ 10.00
Paperback Uncatalogued	$ 5.00	$ -	$ 5.00	$ -	$ 5.00	$ -	$ 5.00	$ -	$ 5.00	$ -	$ 5.00	$ -
PB/HB International Generic Record	$ 5.00	$ 10.00	$ 5.00	$ 10.00	$ 5.00	$ 10.00	$ 5.00	$ 15.00	$ 5.00	$ 15.00	$ 5.00	$ 15.00
Periodicals/Magazines	$ 3.00	$ -	$ 3.00	$ -	$ 3.00	$ -	$ 5.00	$ -	$ 5.00	$ -	$ 5.00	$ -
Phonorecords	$ 9.00	$ -	$ 9.00	$ -	$ 9.00	$ -	$ 15.00	$ 20.00	$ 15.00	$ 20.00	$ 15.00	$ 20.00
Audio Cassettes	$ 11.00	$ -	$ 11.00	$ -	$ 11.00	$ -	$ 10.00	$ -	$ 10.00	$ -	$ 10.00	$ -
Videos	VARIES	VARIES	VARIES	VARIES	VARIES	VARIES	$ 20.00	$ 25.00	$ 20.00	$ 25.00	$ 20.00	$ 25.00
Digital Video Disc (DVD)	$ -	$ -	$ -	$ -	$ -	$ -	$ 20.00	$ 25.00	$ 20.00	$ 25.00	$ 20.00	$ 25.00
Audio Books	$ 5.00	per tape	$ 5.00	per tape	$ 5.00	per tape	$ 5.00	per tape	$ 5.00	per tape	$ 5.00	per tape
Sheet Music Scores		SET BY ART DEPARTMENT						SET BY ART DEPARTMENT				
Sheet Music (Uncatalogued)		SET BY ART DEPARTMENT						SET BY ART DEPARTMENT				
Sup. Materials (I.e., booklets, maps, etc.)	$ 3.00		$ 3.00		$ 3.00		$ 3.00		$ 3.00		$ 3.00	
Compact Discs	VARIES		VARIES		VARIES		$ 15.00	$ 20.00	$ 15.00	$ 20.00	$ 15.00	$ 20.00
Language Sets	$ 10.00		$ 10.00		$ 10.00		$ 10.00		$ 10.00		$ 10.00	
Vertical File/Picture File	$ 2.00		$ 2.00		$ 2.00		$ 5.00		$ 5.00		$ 5.00	
Lost Audio Cassette Case	$ 1.00		$ 1.00		$ 1.00		$ 1.00		$ 1.00		$ 1.00	
Lost Videocassette Case	$ 3.00		$ 3.00		$ 3.00		$ 2.00		$ 2.00		$ 2.00	
Lost CD Jewel Case	$ -		$ -		$ -		$ 1.00		$ 1.00		$ 1.00	

Source: SF Public Library

12/19/00

LIBRARY FINES FEES

FINES	CHANGE ADULT Per Day	ADULT Max	TEENS Per Day	TEENS Max	JUVENILES Per Day	JUVENILES Max	EXPLANATION OF CHANGE
Books	$ -	$ -	$ -	$ -	$ -	$ -	
Phonorecords	$ -	$ -	$ -	$ -	$ -	$ -	
Audio Cassettes	$ -	$ -	$ -	$ -	$ -	$ -	
Books on Tape	$ -	$ -	$ -	$ -	$ -	$ -	
Compact Discs	$ (0.40)	$ (5.00)	$ -	$ -	$ -	$ -	Daily and maximum fines reduced so that they will be consistent with other daily and maximum fines.
Magazines	$ -	VARIES	$ -	$ -	$ -	$ -	Maximum fine changed so that it will be consistent with other maximum fines.
Paperback (Catalogued)	$ -	$ -	$ -	$ -	$ -	$ -	
Paperback (Uncatalogued)	$ -	$ 1.50	$ -	$ -	$ -	$ -	Maximum fine increased as an incentive for patrons to return material in a timely manner. Current maximum of $0.50 is not sufficient.
Art Prints	$ (1.00)	$(10.00)	$ -	$ -	$ -	$ -	Don't have art prints in circulation anymore.
Video & DVD	$ -	$ (5.00)	$ (1.00)	$(10.00)	$ (1.00)	$(10.00)	Adult maximum fine reduced to make it consistent with other maximum fines. Fees eliminated for children and teens consistent with policy not to charge late fees to this group of users.
Supplemental Materials/Booklets	$ (0.25)	$ (3.00)	$ -	$ -	$ -	$ -	Items aren't catalogued and are not tracked. Fines not generally assessed.
Sheet Music	VARIES	VARIES	$ -	$ -	$ -	$ -	Daily and maximum fines changed so that they would be consistent with other daily and maximum fines.
Orchestral Material/Music Sets	$ -	$ -	$ -	$ -	$ -	$ -	
Vertical File Materials	$ -	$ -	$ -	$ -	$ -	$ -	

FEES	Per Day	Max	Per Day	Max	Per Day	Max	EXPLANATION OF CHANGE
Library Card Replacement		$ (1.00)		$ -		$ -	purchasing a debit card for $1.00 and registering it as a library card. Registration is free. The Library will continue to charge $1.00 to patrons who do not want to buy a debit card.
Visitors Card (Non-California Resident)		$(10.00)		$(10.00)		$(10.00)	Current fee includes $10 refundable deposit after 3 months. Deposit was imposed to ensure return of materials. Currently, most non-State cards are issued for internet access and not for books. Consequently, the deposit is not required.
Processing fee (lost catalogued material)		$ -		$ -		$ -	
Processing fee (lost uncatalogued material)		$ (2.00)		$ (2.00)		$ (2.00)	coded.
Books by Mail		$ 3.00		$ 3.00		$ 3.00	New fee. Covers cost of shipping and handling of books that are mailed to patrons. Actual amount charge will be $3 or the actual cost of shipping and handling.
Interlibrary Loan (ILL)		$ (0.50)		$ (0.50)		$ (0.50)	Fee eliminated to enhance the use of the collection and to improve public service. Fees deter patrons from access to collection. Very minimal impact on revenue.
Reserve Fee		$ (0.50)		$ (0.50)		$ (0.50)	Fees deter patrons from access to collection. Very minimal impact on revenue. Most reserves are made via email/computer eliminating the cost of post card and postage.
Returned Check Fee		$ -		$ -		N/A	
Recovery of Delinquent Accounts	per Acct.	$ 10.00		$ -		$ -	New fee. Library has contracted with a collection service to pursue materials that are 90 days late and valued over $50.
Interlibrary Loan (ILL) Photocopy Fee	per page	$ 0.10	per page	$ 0.10	per page	$ 0.10	Increased to reflect cost of copying.
SF History Center Photocopy Fee	per photo	$ -	per photo	$ -	per photo	$ -	
SF History Center Reproduction Fee		$ -		$ -		$ -	
Barcode Label		$ -		$ -		$ -	
Damaged Barcode & Flyleaf		$ 1.00		$ 1.00		$ 1.00	Labor intensive process if bar code is damaged.
Crayoning a single page		$ (0.25)		$ (0.25)		$ (0.25)	Fee eliminated as it is difficult or impossible to determine whether damage was a pre-existing condition. Administratively unenforceable.
Damaged Date Due Slip		$ (0.10)		$ (0.10)		$ (0.10)	Fee eliminated as it is difficult or impossible to determine whether damage was a pre-existing condition. Administratively unenforceable.
Damaged Mylar Book Cover		$ (0.25)		$ (0.25)		$ (0.25)	Fee eliminated as it is difficult or impossible to determine whether damage was a pre-existing condition. Administratively unenforceable.
Damaged Plastic PD Sleeve		$ (1.00)		$ (1.00)		$ (1.00)	Fee eliminated as it is difficult or impossible to determine whether damage was a pre-existing condition. Administratively unenforceable.

Source: SF Public Library

10/5/00

LIBRARY FINES FEES

REPLACEMENT COSTS	CHANGE: ADULT Per Item	ADULT Max	TEENS Per Item	TEENS Max	JUVENILES Per Item	JUVENILES Max	EXPLANATION OF CHANGE
Hardback Non-fiction	$ 10.00	$ 10.00	$ 10.00	$ 10.00	$ 8.00	$ 8.00	
Hardback Fiction	$ 7.00	$ 7.00	$ 7.00	$ 7.00	$ 3.00	$ 2.00	
Paperback Catalogued Non-fiction	$ 20.00	$ 10.00	$ 20.00	$ 10.00	$ 10.00	$ 5.00	
Paperback Catalogued Fiction	$ 10.00	$ 10.00	$ 10.00	$ 10.00	$ 5.00	$ 5.00	
Paperback Uncatalogued	$ -	$ -	$ -	$ -	$ -	$ -	
PB/HB International Generic Record	$ -	$ 5.00	$ -	$ 5.00	$ -	$ 5.00	Revised amounts reflect current replacement costs for various materials.
Periodicals/Magazines	$ 2.00	$ -	$ 2.00	$ -	$ 2.00	$ -	These amounts are used only when materials cannot be located or found
Phonorecords	$ 6.00	$ 20.00	$ 6.00	$ 20.00	$ 6.00	$ 20.00	through a bibliographic services such as Amazon.Com or Bowkers Annual.
Audio Cassettes	$ (1.00)	$ -	$ (1.00)	$ -	$ (1.00)	$ -	Estimated that less than 5% of materials cannot be located through these
Videos	VARIES	VARIES	VARIES	VARIES	VARIES	VARIES	sources. The Library will assess fair market value for lost items based on
Digital Video Disc (DVD)	$ 20.00	$ 25.00	$ 20.00	$ 25.00	$ 20.00	$ 25.00	quotes from bibliographic sources. Replacement charges are in addition to
Audio Books	$ -	N/A	$ -	N/A	$ -	N/A	processing fees.
Sheet Music Scores			NO CHANGE				
Sheet Music (Uncatalogued)			NO CHANGE				
Sup. Materials (I.e., booklets, maps, etc.)	$ -		$ -		$ -		
Compact Discs	VARIES	$ 20.00	VARIES	$ 20.00	VARIES	$ 20.00	New fee. DVDs a growing part of the Library's circulation.
Language Sets	$ -		$ -		$ -		
Vertical File/Picture File	$ 3.00		$ 3.00		$ 3.00		
Lost Audio Cassette Case	$ -		$ -		$ -		
Lost Videocassette Case	$ (1.00)		$ (1.00)		$ (1.00)		
Lost CD Jewel Case	$ 1.00		$ 1.00		$ 1.00		

Source: SF Public Library

~ME00008.xls

2/20/01

DEPARTMENTAL REVENUE
Public Library

	ACTUAL FY 1999-2000	PROJECTED ANNUAL REVENUE
Books Paid	$ 43,261	$ 41,548
Fines & Fees	$ 418,819	$ 479,512
Reserves	$ 14,814	$ -
ILL Fee	$ 3,691	$ -
	$ 480,585	$ 521,060

FY 1999-00 per FAMIS.

No decreases in departmental revenues are expected as a result of the proposed fine and fee schedule.

SUPPLEMENTAL MATERIAL
FINES & FEES ORDINANCE AND FORTUNIO RESOLUTION
December 19, 2000

FINES & FEES

How were fines & fees determined? What process did the library go through to determine the new fee schedule?

The revision of the fines and fees schedule has been under consideration by the Library for more than seven years (since 1994). The key factors considered in this review were customer-friendly policies and policies that best protected the Library's collection. Fines and fees schedules for other public libraries in the Bay Area were surveyed to determine regional benchmarks and best practices in this area. The impact of newer formats, services and technologies also was a determining factor in revising the fines and fees schedule. For example, the implementation of a vendor-supplied debit card -- which provides library cards with $1.00 photocopy value for the price of $1.00 – was inconsistent with the standard library charge of $2 for a replacement library card. Other new services include the implementation of a collection recovery program aimed at protecting the collection (see below for details) and a books-by-mail service for customer convenience.

The fines & fees schedule was determined after many meetings of the public services staff and review and approval by the Library Commission at several public meetings. The proposed schedule reflects modern techniques of pricing materials and includes new media formats (DVD). One of the most important changes for customer service is the elimination of the $.50 charge for reserves for materials owned by the Library and materials borrowed from other libraries. Elimination of this charge makes the entire collection available for anyone's use, no matter which branch they choose to visit. The proposed fines and fees schedule was devised to serve as an incentive plan to return materials in a timely manner.

What is the relationship between the fines assessed and the cost to the library?

Fines for overdue materials act as an abatement to the cost of sending out notices that remind people to return their materials. The cost of replacement of lost materials has been modified to reflect that the most up-to-date information sources will be checked to determine that cost. If that information is not available, then a default "standard price" of materials will be used, which is based on current average pricing for materials. The application of a consistent "processing fee" attempts to recover a portion of the library's investment in the average cost of cataloging and processing materials. If there is no processing or cataloging (i.e. paperback books), we are recommending that the processing fee not be applied.

The Library's Mission Statement states "The Library is dedicated to free and equal access to information...." To effect this mission, the public and the staff believe that it is in the best interest of the library to make all of its materials accessible via reserves to all patrons for free. Similarly, since we are not charged for the interlibrary loan of books from other libraries, the staff and public believes the Library should not charge customers for access to the materials of other libraries.

Source: SF Public Library

SUPPLEMENTAL MATERIAL
FINES & FEES ORDINANCE AND FORTUNIO RESOLUTION
December 19, 2000

How will the collection program work? Who gets referred and what criteria will be used?

Customers who have not returned materials worth more than $50.00 that are more than 45 days overdue will be electronically sent to the Collection Agency by the Library's automated system. Currently, library customers receive only one notice when material is overdue. With the Collections process, the Library will implement a second overdue notice to alert customers that not returning materials may result in the referral of their account to a collection agency. We have a written agreement with the Tax Collector to assume this collection duty through a third party library vendor. We believe that lowered fines and fees combined with a collection agency program will stimulate both the use and the return of library items.

Source: SF Public Library

Item 2 – File 01-0105

Department: Public Works

Item: Ordinance amending the Administrative Code by adding Section 8.40 to authorize the Department of Public Works to charge license fees for the use of the City's Base Map Geographic Information System ("GIS") data and ratifying the establishment of existing and new license fees.

Description: The proposed ordinance amends Chapter 8 of the Administrative Code by adding Section 8.40, to:

- Authorize the Department of Public Works (DPW) to "charge license fees thereunder that are consistent with the fair market value of the GIS," and to establish reduced rates for non-profit organizations as determined by the Director of DPW. The proposed ordinance does not identify the specific fee levels.
- Authorize the appropriation of the fees to the DPW for maintenance of the Base Map GIS data.
- Ratify existing license fees.

The proposed ordinance provides authority for the Director of DPW to establish license fees at fair market value for the use of the City's Base Map GIS data and that the Director "may establish standard reduced fee rates for non-profit organization licensees of the GIS."

The DPW Office of Geographical Data Services has developed and maintains the City's Base Map, which is formatted for and accessed through GIS software. The Base Map is comprised of all the Assessor's blocks and lots, the City's right of way maps, information on the location and dimensions of curbs and pavement, utility lines, land use zones, street trees, streetlights, and seismic hazard zones. City departments use the Base Map GIS data for a variety of purposes, including facilitating the street construction permitting process, managing the sewer and water main system, and assessing earthquake risk.

According to Mr. Douglas Legg of the DPW, DPW would charge license fees to third parties through license agreements with Value Added Resellers (VARs) for the use of the City's Base Map GIS data. According to Mr. Legg, third parties include architectural and planning consulting firms, market research firms, cartographic firms, and telecommunications entities. To facilitate the demand by third parties for the City's Base Map GIS data, according to Mr. Legg, the City Attorney prepared license agreements between DPW and VARs. Under contract with the City, the VARs are authorized to sub-license the City's Base Map GIS data to third parties. According to Ms. Tina Olson of DPW, the VAR agreements are not subject to Board of Supervisors approval because under Charter Section 9.118 the VAR agreements that do not have anticipated revenue to the City of $1 million or more do not require approval by the Board of Supervisors. The VARs re-package the Base Map GIS data, and their products may include software and training.

DPW began charging fees to various City departments and the San Francisco Redevelopment Agency in FY 1996-97 to pay for the development and maintenance of the City's Base Map GIS data. Presently, DPW has work orders from 12 City departments, the San Francisco Redevelopment Agency and 5 DPW bureaus. According to Mr. Legg, DPW entered into license agreements with three VARs, namely Barclay Mapworks, ValueCad, and Hammon, Jensen, Wallen and Associates in October of 1998 to market and sub-license the City's Base Map GIS data to third parties. According to Mr. Legg, these three VARs were selected based on their familiarity with the City's Base Map GIS data and experience with marketing GIS data to third parties. Under current agreements with the three VARs, which as previously noted are not subject to Board of Supervisors approval, DPW receives on a quarterly basis (1) 50 percent of the gross revenue collected by the three VARs from sub-licensing the City's Base Map GIS data to third parties, up to the fair market value (listed price) of the data product, which is currently $25,000 as established by the Director of DPW, and (2) 10 percent of gross revenue from products developed from the Base Map by the VARs.

According to Mr. Legg, DPW's future share of the annual revenue collected by the VARs from sub-licensing the City's Base Map GIS data to third parties is expected to total $65,000. However, DPW has only collected $38,676 from October of 1998 through February 22, 2001. Mr. Legg reports that the Department anticipates entering into new licensing agreements in September of 2001 with VARs upon the expiration of the existing agreements, and that DPW estimates annual revenues of $65,000 beginning in FY 2001-02, or $45,000 more than the estimated revenue anticipated to be realized in FY 2000-01 of $20,000.

As shown in the Attachment provided by DPW, the cost of maintaining the City's Base Map GIS data is estimated at $538,676 for FY 2001-02, and would be covered by the following estimated funding sources: (1) $400,000 in revenue from the budgeted work orders for the City's Base Map GIS data provided by the 12 City departments, the San Francisco Redevelopment Agency and 5 DPW bureaus which participate, (2) $65,000 in revenue from sub-licensing through VARs the City's Base Map GIS data to third parties, (3) $38,676 in revenue collected since October of 1998 from sub-license fees for use by third parties of the City's Base Map GIS data, and (4) $35,000 in consulting fees charged by DPW to provide technical assistance to other City departments. According to Mr. Legg, the $38,676 has never been allocated to DPW. Therefore, the appropriation of the $38,676 in fees previously collected would be appropriated to the DPW under this ordinance.

Comments:

1. As noted in the Attachment provided by DPW, DPW currently has work orders from 12 City departments, the San Francisco Redevelopment Agency and 5 DPW bureaus for the Base Map GIS data. According to DPW, the work order revenues from the agencies are estimated to total $400,000 annually.

2. Mr. Legg states that in September of 2001, when the existing VAR license agreements expire, DPW may enter into an exclusive agreement with one VAR selected through a competitive bidding process. That agreement

would not be subject to approval by the Board of Supervisors.

3. According to Ms. Adine Varah of the City Attorney's Office, although Charter Section 2.109 provides that the Board of Supervisors must approve by ordinance any rate, fee, or similar charge to be imposed by any City department, the City Attorney's Office has concluded that Section 2.109 does not apply to the DPW GIS Base Map data license fees because the DPW, when negotiating and charging such intellectual property license fees, is representing the City in its proprietary capacity. Such intellectual property license fees are thus distinguishable from fees charged for public facilities or services that are generally offered to the community. According to Ms. Varah, therefore, approval of this ordinance would ratify the existing license fees and authorize the Director of DPW to establish new license fees without subsequent approval by the Board of Supervisors of the specific fees which are established by DPW.

Currently there is no section in the City's Administrative Code establishing the existing DPW license fees to be charged for the use of City's Base Map GIS data. Ms. Varah states that the proposed ordinance would authorize the DPW to enter into licensing agreements with VARs that would sub-license third party use of this Base Map GIS data and charge license fees thereunder for the use of the City's Base Map GIS data. In addition, the proposed ordinance would ratify all existing fees charged by the City under GIS data license agreements since July 1, 1998, the start date of the fiscal year in which the City began licensing the Base Map GIS data.

Recommendation: Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

City and County of San Francisco

Willie Lewis Brown, Jr., Mayor
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Department of Public Works
Finance and Budget Division
Financial Management and Administration
City Hall, Room 348
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4645

Memorandum

February 22, 2001

To: Anna Weinstein
Board of Supervisor's Budget Analyst's Office

From: Douglas Legg
Division of Finance and Budget

Re: Proposed GIS Fee Ordinance

This memo is in response to questions you have asked regarding the Department of Public Works proposed GIS fee ordinance and appropriation.

1. How did we arrive at our annual revenue estimate?

   The estimate is based on revenues collected by the Counties of Santa Clara and Los Angeles and reduced in proportion to San Francisco's relative size. The estimates were verified through discussions with potential Value Added Resellers (VARs).

2. What is the budget for the Office of Geographic Data Systems? How will DPW address a revenue shortfall if proposed fees revenues are not realized as planned?

Expenses	
Salaries	$233,727
Fringe Benefits	51,420
Overhead	78,321
Non Labor	26,532
Ortho Photos	148,676
Total	$538,676

Revenues	
Work Orders	$400,000
License Fees	65,000
Fee Balance	38,676
Consulting	35,000
Total	$538,676

The work orders are as follows:

Assessor/Recorder	$20,000
City Planning	20,000
DBI	46,000
DPH	20,000
DPT	20,000
DPW-Bureau of Construction Mgmt.	35,000
DPW-Bureau of Architecture	20,000
DPW-Bureau of Engineering	20,000
DPW-Bur. Street Environmental Srvs.	20,000
DPW-Bur. Street & Sewer Repair	20,000
DTIS	20,000
Fire Department	20,000
Mayor's OES	19,000
PUC-Bureau of Light, Heat & Power	20,000
PUC-Clean Water	20,000
Real Estate	20,000
SFRA	20,000
Treasurer/Tax Coll.	20,000
Total	$400,000

DPW plans to update the Ortho Photograph layer of the Basemap in the current fiscal year. Ortho photographs were last updated in 1993 and the Department and subscriber departments are anxious to for this more accurate and timely data. Should revenues not be realized in the current fiscal year, expenditure of some non-labor budget items or purchase of ortho photographs would be delayed until next fiscal year.

3. What is a Value Added Reseller (VAR)? Why is DPW "licensing" VARs to sell the Basemap data?

A VAR is essentially a broker who markets data or software to interested buyers. City staff are not trained at marketing or managing contracts to sell data, so we use these brokers. The City owns the Basemap data, and licenses the VARs to sell it. The VARs in turn sub-license the data to interested buyers. Under DPW's license agreements with the VARs, DPW is entitled to a percentage of these receipts. Amongst others, the VARs have sub-licensed the City's Basemap to e-commerce map companies, and technology companies that integrate mapping data with cell phone and pager technology.

4. How did DPW decide which VARs to license to sell Basemap data? How will DPW determine which vendors will be licensed in the future?

The staff person who worked with the City Attorney to develop the license agreements is no longer with the City. The best information that we have indicates that DPW chose the current VARs based on their experience with similar municipal organizations and datasets, as well as their familiarity with the City of San Francisco's Basemap data.

For any new agreement or re-licensing of the Basemap GIS data, DPW will aggressively seek the best terms possible through competitive negotiations with qualified data marketing firms.

Memo to Finance Committee
February 28, 2001 Finance Committee Meeting

Item 3 – File 01-0252

Department: Public Utilities Commission (PUC)
Water Department

Item: Hearing to consider the release of reserved funds for the Water Department in the amount of $474,765 to fund overtime expenditures.

Amount: $474,765

Source of Funds: Water Department's FY 2000-2001 Budget

Description: The Water Department's FY 2000-2001 budget includes budgeted overtime expenditures of $1,424,297. During the FY 2000-01 budget hearings, the Finance and Labor Committee recommended that one third of annual Overtime expenditure budgets for several City departments be placed on reserve so that the Committee can monitor spending for Overtime during the fiscal year. Therefore, the Finance and Labor Committee placed a total of $474,765 of this amount on reserve for the Water Department, leaving $949,532 available for expenditure.

The table below provides a summary of Overtime spending to date and projected overtime spending for FY 2000-2001, as well as spending to date and projections for all Water Department Salary and Fringe Benefit accounts, including Overtime, based on the Controller's payroll records.

Controller's Projection - Water Department Expenditures for Overtime and Total Salaries and Fringe Benefits Including Overtime through February 2, 2001

	FY 2000-2001 Budget	Actual Expenditures Through Pay Period Ending 2/2/01	Projected Expenditures Through July 30, 2001 *	Projected Surplus (Deficit)
Overtime	$1,424,297	$1,104,831	$2,039,406	($615,109)
All Salaries and Fringe Benefits Including Overtime	35,540,372	20,985,905	35,556,203	($15,831)

* Projections based on spending at the level of the pay period ending 2/2/01 for the remainder of the Fiscal Year.

As summarized in the table above, the Controller's latest projection report for salary and fringe benefit expenditures (including Overtime) shows that:

- As of the pay period ending February 2, 2001, the Water Department has incurred Overtime expenditures of $1,104,831.
- Through February 2, 2001 (or 15.5 of 26.0 pay periods in FY 2000-01) the Water Department has already expended 77.6 percent of its total Overtime appropriation of $1,424,297 and 116.4 percent of its available, unreserved overtime funding of $949,532.
- Based on overtime expenditures incurred during the pay period ending February 2, 2001, the Controller's projection indicates that the Water Department will spend a total of $2,039,406 on overtime, which is $615,109, or 43.2 percent, more than the Department's total FY 2000-01 Overtime appropriation of $1,424,297.
- For all Salaries and Fringe Benefit Expenditures, including overtime, the Controller's projection indicates that the Water Department will incur total expenditures of $35,556,203 in FY 2000-2001, which is $15,831, or 0.04 percent, more than the FY 2000-2001 budget amount of $35,540,372.

Based on the data summarized above, the Water Department is currently projected to end Fiscal Year 2000-2001 with a deficit of approximately $615,109 in Overtime expenditures. However, Mr. Carlos Jacobo of the PUC advises that the Water Department does not anticipate requesting a supplemental appropriation for Overtime expenditures in FY 2000-2001 for the following reasons:

- Mr. Jacobo reports that the Water Department is currently conducting an internal audit of its Overtime practices and has detected a variety of accounting errors in the department's recording of Overtime and that some charges for Overtime worked on capital projects were mistakenly applied to the Water Department's operating budget instead of the specific capital improvement projects. According to Mr. Jacobo, as part of the audit the Water Department is reviewing all

Overtime expenditures for Fiscal Year 2000-2001, and upon completion, the department will reverse incorrect Overtime charges in order to revise its Overtime expenditures applied to the operating budget. As of the writing of this report, Mr. Jacobo estimates that such revisions will result in a reduction of current Overtime expenditures as of February 2, 2001 of $1,104,831 by approximately 10 percent to 20 percent or between $110,483 and $220,966.

- In addition, Mr. Jacobo advises that the Water Department is putting into place new procedures and controls to monitor and restrict the use of overtime. According to Mr. Jacobo, such procedures and restrictions will allow the department to reduce Overtime expenditures for the remainder of Fiscal Year 2000-2001. As a result, the Water Department expects to end Fiscal Year 2000-2001 without a deficit in overtime expenditures.

- Further, Mr. Jacobo advises that Overtime expenditures for the first seven months of Fiscal Year 2000-2001 (July through January) have been higher than anticipated due to an unusually high number of emergency repairs to ruptured water pipelines. Mr. Jacobo anticipates that the number of such repairs should decline over the remainder of Fiscal Year 2000-2001.

- According to Mr. Jacobo, should the Water Department end Fiscal Year 2001-2002 with a deficit in Overtime spending, the Water Department would fund such an Overtime deficit with surplus funds from other accounts in the department. Therefore, Mr. Jacobo anticipates that the Water Department will not be required to request a supplemental appropriation for Salaries and Fringe Benefits including Overtime.

Recommendation: Approve the requested release of $474,765 in reserved Overtime funds.

Item 4 - File 01-0208

Department: Public Utilities Commission (PUC)
Hetch Hetchy Water and Power (Hetch Hetchy)

Item: Ordinance appropriating $25,400,000 of Hetch Hetchy Operating Fund monies to fund the purchase of electrical power for resale to meet municipal and contractual obligations for Fiscal Year 2000-2001.

Amount: $25,400,000

Source of Funds: Hetch Hetchy operating funds have been identified for the proposed supplemental appropriation from the following specific sources:

Source	Amount
Revenue from Sale of Electricity	$10,800,000
De-obligated Capital Projects	7,400,000
Unappropriated Fund Balance	6,200,000
Permanent Salary Savings	1,000,000
Total	$25,400,000

See Comment No. 2 below for further discussion of funding sources.

Description: As a byproduct of delivering water to the City's Water Department for sale to the City's retail customers in San Francisco and wholesale water customers in the Bay Area, Hetch Hetchy Water and Power also generates hyrdroelectric power for the City's municipal purposes and for sale to customers who purchase hydroelectric power under contracts with the City.

The proposed supplemental appropriation would provide a total of $25,400,000 to Hetch Hetchy to fund the purchase of electrical power for resale.[1] Hetch Hetchy has historically purchased wholesale power on the spot market for electricity to supplement its own generation of hydroelectric power to meet municipal and contractual

[1] Ms. Park advises that "power for resale" includes power Hetch Hetchy purchases to supply electricity to all of Hetch Hetchy's customers, including City departments and tenants on City-owned land, as well as to other retail and wholesale customers. Such customers include the Modesto and Turlock Irrigation Districts.

obligations. A shortage this year in both natural gas and electricity supplies, combined with California's deregulation of the power industry, have led to steep increases in the cost of purchasing such electric power. Ms. Laurie Park, Acting General Manager of Hetch Hetchy, reports that while in the past, prices in the spot market have ranged from $20 to $40 per Megawatt hour[2], the current price for power on the spot market is fluctuating at around $200 to $300 per Megawatt hour.

For FY 2000-2001, Hetch Hetchy budgeted a total of $17,600,000 for the purchase of power for resale. According to Ms. Park, as of February 19, 2001, Hetch Hetchy had expended a total of $36,010,488, which is $18,410,488, or 104.6 percent, more that the amount of $17,600,000 budgeted for the entire fiscal year. Based on projections provided by Ms. Park, Hetch Hetchy will expend an estimated total of $41,218,088 to purchase power for resale FY 2000-2001, which will be $23,618,088, or 134.2 percent, more than the original budgeted amount of $17,600,000, as shown in Attachment I, provided by Hetch Hetchy. However, as explained in Comment No. 5, Hetch Hetchy is requesting $25,400,000, or $1,781,912 more than the projected year-end deficit of $23,618,088.

Comments:

1. The FY 2000-2001 budget, as adopted by the Board of Supervisors, is based on total General Fund revenue sources that include a transfer of Hetch Hetchy surplus revenues to the General Fund in the amount of $29,850,000. Mr. Carlos Jacobo, Budget Director of the PUC, does not anticipate that the proposed supplemental appropriation will cause a reduction in Hetch Hetchy's FY 2000-2001 transfer to the General Fund, as previously approved by the Board of Supervisors. According to Mr. Jacobo, Hetch Hetchy currently has an unappropiated fund balance totaling approximately $11,000,000, which would be reduced by $6,200,000 to approximately $4,800,000 if the proposed supplemental appropriation were to be approved.

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[2] A Megawatt hour is equivalent to 1,000 kilowatt hours, or enough power to provide electricity to one thousand average homes for a period of one hour, according to Ms. Park.

2. As shown in the table above, Hetch Hetchy will use the following four sources to fund the proposed $25,400,000 supplemental appropriation:

(a) Revenue from Electricity Sales ($10,800,000): Ms. Park advises that Hetch Hetchy generated this $10,800,000 in revenues by selling electricity beyond the $81,180,000 that Hetch Hetchy had anticipated and budgeted for FY 2000-2001, as shown in Attachment II. Hetch Hetchy projects year-end revenues of $95,278,686 from the sale of electricity, which is $14,098,686 more than the $81,180,000 in revenues budgeted for FY 2000-2001. Ms. Park advises that Hetch Hetchy is requesting that only $10,800,000 of the $14,098,686 in projected surplus to be used to fund the subject request since the year-end revenue projections may change depending on rates to be set by the California Public Utilities Commission.

(b) De-obligated Capital Projects ($7,400,000): According to Ms. Park, Hetch Hetchy reviewed all of its capital projects and determined that the proposed New Moccasin Penstock Project, originally planned to begin in the Spring of 2001, could be deferred for one to two years without risk to public health or safety, as stated in Attachment III. According to Ms. Park, the new Moccasin Penstock Project would expand the system of pipes, increasing the Moccasin Powerhouse's ability to generate electricity and allowing Hetch Hetchy to repair existing pipelines. Ms. Park reports that the entire $7,400,000 balance in the New Moccasin Penstock Project would be used to help fund the proposed supplemental appropriation. According to Ms. Park, Hetch Hetchy has completed the design phase of the project and will postpone putting the construction contract out to bid until Fiscal Year 2002-2003. Ms. Park advises that Hetch Hetchy will fund construction of the project with a future appropriation, subject to approval by the Board of Supervisors. Ms. Park estimates that the New Moccasin Penstock Project will now be rebudgeted in Fiscal Year 2002-2003 and completed in Fiscal Year 2003-2004.

(c) Unappropiated Fund Balance ($6,200,000): As stated in Comment No. 1 above, the proposed supplemental appropriation would reduce Hetch Hetchy's unappropriated fund balance by $6,200,000, from $11,000,000 to $4,800,000.

(d) Savings in Permanent Salaries ($1,000,000): According to Ms. Park, Hetch Hetchy has realized approximately $1,000,000 in salary savings due to approximately 30 vacancies during FY 2000-2001. Ms. Park advises that many of these vacancies result from Hetch Hetchy's recent reorganization and, now that the Department of Human Resources has approved a civil service reclassification study also related to the reorganization in the department, Hetch Hetchy plans to fill 12 of such vacancies within four to six weeks, as stated in Attachment III.

3. As explained in Attachment III, provided by Hetch Hetchy, power prices are expected to remain at very high levels through February of 2001, declining in March through May (as snow packs melt and allow greater production of hydroelectric power) and increasing to high levels again during June through October of 2001. Since July 1, 2000, the beginning of FY 2000-2001, the average monthly price per Megawatt hour for power has been $164.04, according to Ms. Park and as shown in Attachment IV, provided by Hetch Hetchy. According to Ms. Park, Hetch Hetchy projects the average price per Megawatt hour for the remaining four months of the fiscal year (March through June) to range from an estimated $150 to $250 per Megawatt hour.

4. The City is currently under long-term agreements with the Modesto and Turlock Irrigation Districts ("the Districts") for the sale of Hetch Hetchy hydroelectric power. These Long-Term Power Sales Agreements began on April 1, 1988 and will expire on June 30, 2015, for a term of 27 years and three months each. Under these Long-Term Power Sales Agreements, the City has a firm obligation to sell to the Districts sufficient energy to meet the Districts' demand for "Class 1" and "Class 3" power, determined by a formula defined in the agreement and explained in Attachment III to this report, provided by

Hetch Hetchy. Under these Long-Term Power Sales Agreements, the amount of power that the City must provide to the Districts is based on a 5-year irrevocable forecast, so that in the year 2001, the City projects the amount of power it will be required to provide to the Districts in 2005. Further, under these Long-Term Power Sales Agreements, the Modesto and Turlock Irrigation Districts have the right of first refusal for purchasing Hetch Hetchy's Excess Energy from hydroelectric generation (defined in table below). Under the Power Sales Agreement, the City must charge the Districts the following rates:

Types of Power Sold to Modesto and Turlock Irrigation Districts by Hetch Hetchy.	Current Average Rate per Megawatt Hour Charged to Districts in FY 2000-01
Class 1 Power: Mainly used for actual municipal public purposes and irrigation pumping for agriculture	$15.87
Class 3 Power: Remainder of "firm" energy sold under the Agreements	$34.10
Excess Energy: Excess Energy is energy that Hetch Hetchy generates due to the need to move water from reservoirs but does not need for its own use. Under the Long-Term Power Sales Agreements, the Modesto and Turlock Irrigation Districts have the first right of refusal for purchasing such Excess Energy from hydroelectric generation, according to Ms. Park	$22.44

In order for the City to meet the demand for power in both the City and in the Modesto and Turlock Irrigation Districts, Hetch Hetchy is required to purchase power, especially during summer and fall when Hetch Hetchy's generation of hydroelectric power is limited by the amount of water delivered to the City and the Bay Area. The Budget Analyst notes that while Hetch Hetchy has

paid an average of $164.04 per Megawatt hour per month since July 1, 2001 to purchase power, the department has been required by the Power Sales Agreements to continue selling power to the Modesto and Turlock Irrigation Districts at a loss.

As shown in the table above, whenever Hetch Hetchy must purchase power at a current cost of $200 to $300 per Megawatt hour, this results in a loss to Hetch Hetchy ranging between approximately $184.13 and $284.13 per Megawatt hour when such power is sold to the Modesto and Turlock Irrigation Districts for Class 1 power and between approximately $165.90 and $265.90 per Megawatt hour when sold to the Districts for Class 3 power.

According to Ms. Park, from the period between July 1, 2000 and December 31, 2000, Hetch Hetchy sold a total of 471,420 Megawatt hours of electricity to the Modesto and Turlock Irrigation Districts, which includes: (a) 169,272 Megawatt hours of Class 1 Power, (b) 280,268 Megawatt hours of Class 3 Power, and (c) 21,880 Megawatt hours in Excess Energy. Ms. Park advises that Hetch Hetchy received total revenues of $12,570,829 from the Modesto and Turlock Irrigation Districts for such power sales.

Based on data provided by Hetch Hetchy, the Budget Analyst estimates that, for the six months from July 1, 2000 through December 31, 2000, Hetch Hetchy purchased a total of 143,836 Megawatt hours for resale to the Modesto and Turlock Irrigation Districts at a total cost of $21,576,318 and an average cost of $150 per Megawatt hour. As a result, as of December 31, 2000, Hetch Hetchy has lost an estimated total of $17,711,197 resulting from its obligation to sell hydroelectric power to the Modesto and Turlock Irrigation Districts. This estimated loss of $17,711,197 is the difference between the total cost of $21,576,318 to purchase power less approximately $3,865,120 paid to Hetch Hetchy by the Modesto and Turlock Irrigation Districts for such power.

5. As stated previously, Hetch Hetchy projects that it will expend an estimated total of $41,218,088 to purchase power for resale in FY 2000-2001, which will be

$23,618,088, or 134.2 percent, more than the original budgeted amount of $17,600,000, as shown in Attachment I, provided by Hetch Hetchy. However, the proposed supplemental appropriation is for $25,400,000, or $1,781,912 more than the projected deficit of $23,618,088. Ms. Park advises that this difference of $1,781,912 will allow Hetch Hetchy to adjust to probable changes in the projected year-end deficit of $23,618,088, due to the volatility of electricity prices. Any unexpended portion of the proposed supplemental appropriation will return to Hetch Hetchy's Unappropriated Fund Balance at the end of FY 2000-2001.

Recommendations:

1. Amend the proposed $25,400,000 supplemental appropriation by reserving $1,781,912, pending an updated projection of Hetch Hetchy's total deficit for the purchase of electrical power for resale in Fiscal Year 2000-2001.

2. Request that Hetch Hetchy provide a report to the Finance Committee on the status of Hetch Hetchy's projected deficit for the purchase of electrical power for resale by May 1, 2001.

3. Approve the proposed ordinance, as amended.

Attachment I

Attachment I

Hetch Hetchy Water and Power
FY00/01 Budget: 033 Power for Resale
Date: Feb 19, 2001

	Budgeted FY00/01	Actuals to-date	as of [date]	Projected to complete	Total Projected Expenditures	Budget Variance
033 Power for Resale						
03311 Purchased Power						
Wholesale Power Purchases	$17,600,000	$36,010,488	02/19/01	$5,207,600	$41,218,088	(23,618,088.00)
Wholesale Power Support Services	$4,031,210	$2,415,957	01/31/01	$2,075,684	$4,491,641	(460,431.02)
						0.00
03312 Transmission & Distribution						
Projected T+D Costs	$11,140,000	$5,648,250	01/31/01	$4,034,465	$9,682,715	1,457,284.68
Allowance for Announced Rate Increase	$2,500,000					2,500,000.00
ISO Grid Management Charges		$246,832	01/31/01	$176,309	$423,141	(423,141.00)
PG&E Reliability Services Tariff		$508,667	01/31/01	$363,334	$872,001	(872,001.00)
Totals:	$35,271,210	$44,830,194	$0	$11,857,392	$56,687,586	(21,416,376.34)

Source: Hetch Hetchy

Hetch Hetchy Water and Power
FY00/01 Budget: Sales of Power
Date: Feb 19, 2001

Attachment II

	Budgeted FY00/01	Actuals to-date	as of [date]	Projected to complete	Total Projected Revenues	Budget Variance
Power Sales						
Municipal Customers	$52,280,000	$23,974,177	Nov-Dec (mixed)	$33,358,091	$57,332,268	$5,052,268
Districts	$21,500,000	$12,353,676	12/31/00	$9,643,551	$21,997,227	$497,227
Other Wholesale	$7,400,000	$4,549,191	01/31/01	$7,400,000	$11,949,191	$4,549,191
Unbudgeted Sales:						
ISO Demand Reduction Program	$0	$2,000,000	12/31/00	$0	$2,000,000	$2,000,000
Emergency Sales to ISO	$0	$2,000,000	12/31/00	$0	$2,000,000	$2,000,000
Total Sales of Power:	$81,180,000	$44,877,044	$0	$50,401,643	$95,278,686	$14,098,686

Source: Hetch Hetchy

SAN FRANCISCO PUBLIC UTILITIES COMMISSION

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HETCH HETCHY
WATER & POWER

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MEMORANDUM

TO: Board of Supervisors Budget Analyst
Attention: Emilie Neumann

FROM: Hetch Hetchy Water & Power – Laurie Park

SUBJECT: FY00/01 Supplemental Appropriation for $25.4 Million

DATE: February 19, 2001

The purpose of this memo is to respond to questions raised by the Board of Supervisors Budget Analyst about Hetch Hetchy's request for a supplemental appropriation in the amount of $25.4 million.

For clarification, Hetch Hetchy requested and the SFPUC approved a request for an $18 million supplemental at its meeting on January 9, 2001. Subsequent to that date, continued dry hydrological conditions reduced Hetch Hetchy's ability to generate. In addition, very cool temperatures and persistent gas and electric supply shortages kept power prices higher than anticipated. As a result, Hetch Hetchy will exceed the originally requested $18 million supplemental appropriation. We believe that increasing the amount by an additional $7.4 million, to a total of $25.4 million, is reasonable at this time. However, if hydrological conditions do not rebound to close to "normal" levels, we may need to seek a further supplemental appropriation for the remainder of this fiscal year.

<u>"Power for Resale" Expenditures</u>

Object 033 "Power for Resale" was budgeted at $35,271,210 during FY00/01. This amount was comprised of two principal components: $21,631,210 for "03311 Power for Resale" and $13,640,000 for "03321 Power Transmission & Distribution".

Subobject "03311 Power for Resale" is comprised of wholesale power purchases (budgeted at $17.6 million) and wholesale power support costs under the long term City/PG&E Interconnection Agreement (budgeted at $4 million). Subobject "03321 Power Transmission & Distribution" is comprised of charges by PG&E and others for transport of power.

The spreadsheet provided as Attachment 1 to the Budget Analyst report indicates the breakdown of budgeted vs. actual costs by subobject and principal category of expense. As of February 19th, Hetch Hetchy has overspent its Power for Resale budget by $18,361,988. As of this date, wholesale power expenditures (including transport, aka "transmission and distribution") are projected at $56,687,586 through June 30, 2001. This is not the highest amount ever paid for wholesale power and transport services. In fiscal year 1986, the cost of these services totaled $58.5 million.

Over the past 10 years, Hetch Hetchy's "Power for Resale" budget varied from a low of $17.7 million to a high of $39.5 million. Most of these variances were attributable to fluctuations in annual hydrology. The $17.7 million budget occurred in a very wet year (170% of "average") and the $39.5 million cost occurred during a drought (45% of "average").

This year, the very high cost of "Power for Resale" is directly attributable to the California power crisis and continued shortages of both natural gas and electricity. Attachment IV to the Budget Analyst report illustrates that over the past 7 years, Hetch Hetchy's annual power purchase costs ranged from a low of $3.7 million to a high of $15.8 million, with average prices ranging from $17.56 to $35.14 per megawatt hour. This year's power purchases have already exceeded $36 million at an average cost of $164.04/MWhr. Futures prices for March and April are fluctuating in the $220-$250 range.

<u>Districts' Contracts</u>

The "Long Term Power Sales Agreement between the City and County of San Francisco and the [Modesto/Turlock] Irrigation District(s)" were executed in 1988 and expire on July 1, 2015, "unless it is terminated earlier by the agreement of the Parties or by either Party pursuant to this Section 24 or Section 25."

These agreements require that Hetch Hetchy provide, and the Districts take, electricity generated by the Hetch Hetchy Project between the "Project Dependable Capacity" ("PDC"; presently 260 MW) as defined in these agreements and the amount of power needed by Hetch Hetchy to meet "City Municipal Demand". The Districts must take that power at a 65% load factor (i.e., Districts' Energy = Demand x Hours per Year x 65%).

The amount of power that Hetch Hetchy must provide to the Districts is based on a 5 year irrevocable forecast. In other words, the City projects in the year 2001 the amount of City Municipal Demand expected in the year 2005. This projection is binding in terms of how much power the City must provide and the Districts must take in the year 2005. The amount of power that the City must provide and the Districts must take from the years 2001 through 2004 have already been determined in prior years through the same 5th year forecast methodology. The amount of City Municipal Demand forecasted for calendar year 2001 is 128,045 kW. Therefore, the amount of energy that the City must provide to the Districts is 751 million kilowatt hours [(260,000 kW – 128,045 kW) x 8760 hours per year x 65%].

There are three classes of sales under these Agreements:

(1) Sec. 4.15 Class 1 Power: That Power which, pursuant to Section 9(1) of the Raker Act, is sold at cost by City to [Modesto/Turlock].

(2) Sec. 4.16 Class 3 Power: That portion of Districts' Power purchased by [Modesto/Turlock] from City that is not Class 1 Power.

(3) Sec. 4.22 Districts' Excess Energy: The amount of Hetch Hetchy Excess Energy, in kilowatthours, available for use by Districts, up to ninety-eight (98) percent of the greater of (1) the difference between Hetch Hetchy Excess Energy and Airport Tenants' energy requirements or (ii) one-half of Hetch Hetchy Excess Energy, as more fully described in Section 7.4.

Class 1 and Class 3 power are considered "firm"; i.e., the City has an obligation to provide that amount of power under most circumstances. Exceptions are defined in Sec. 21 "Uncontrollable Forces". Excess energy is considered "non-firm"; i.e., the City is only obligated to offer this energy to the Districts if and when there is sufficient water to generate and Hetch Hetchy generation exceeds PDC.

The amount of power that the Districts take for Class 1 vs. Class 3 are based upon actual Class 1 usage. "Class 1" power may only be used by the Districts for certain purposes defined in the 1913 Raker Act, i.e., agricultural pumping and "actual municipal public purposes" [HR7207 Sec. 9(l)]. Any power taken by the Districts under the PDC is allocated first to qualified Class 1 uses. The balance of "firm" energy that the Districts must take is considered "Class 3".

The rates at which Hetch Hetchy must sell power to the Districts is determined by the Agreements. In accordance with the Raker Act, "Class 1" power must be sold "at cost". Class 3 rates are based upon a rate methodology described in the Agreement. The rate methodology is tied to PG&E's "Electric System Average Energy Costs" as reported annually in their SEC Form 10-K reports.

The current rates are as follows:

	Rate basis	Class 1	Class 3	Excess Energy
Demand	\$/kW-month	\$4.74	\$5.53	
Energy	\$/kilowatt hour	\$0.00588	\$0.02244	\$0.02244
Blended (avg)	\$/kilowatt hour	\$0.01587	\$0.03410	\$0.02244

Assuming an annual distribution of 45% Class 1 and 55% Class 3 under PDC, the average rate earned on firm sales to the Districts is approximately \$0.026 per kilowatt hour (\$26 per megawatt hour).

Total Revenues from Sales of Power

In the FY00/01 budget, we estimated power sales of $81,180,000. Attachment II of the Budget Analyst report illustrates the breakdown of budgeted vs. actual to-date and projected fiscal year sales by customer segment.

The principal unknown at this time is the amount of energy that will be available for sale during the spring snowmelt as excess energy. Spring excess energy must be offered first to the Districts, and then to other municipal utilities and public power agencies. In the event that Hetch Hetchy cannot find sufficient qualified wholesale buyers for its excess energy during the spring snowmelt, PG&E "banks" the power for us and allows us to return it to ourselves during "like time periods" (i.e., if we deposit the power during off-peak periods, we take it back during off-peak periods; etc.).

To-date, we have had $8.5 million in unbudgeted sales, as follows:

ISO Demand Reduction Program	$ 2,000,000[1]
Wholesale Sales (Summer 2000)	$ 4,500,000[2]
Emergency Sales to ISO	$ 2,000,000[3]
Total Unbudgeted Sales:	$ 8,500,000

Notes:

[1] Hetch Hetchy coordinated the City's participation in the ISO's Demand Reduction Program during Summer 2000. Hetch Hetchy's share of the revenues earned under this program was $2 million.

[2] In addition, Hetch Hetchy sold $4.5 million of power during summer to municipal utilities and other public agencies, including the Districts. Excess power was available during this period because Hetch Hetchy needed to reduce the reservoir elevation at Cherry (Lake Lloyd) in order to drain the Cherry-Eleanor tunnel for maintenance and repair work scheduled during Fall 2000.

[3] Further, the ISO has called upon Hetch Hetchy throughout the past year for emergency power support needed to keep power flowing on the California electric grid. To-date, sales of such emergency power to the ISO were $2 million. We have provided some small quantities of emergency power to the ISO since January 1, 2001; however we do not yet know how much the ISO will be paying for that power so it is not included in these projections.

Attachment II of the Budget Analyst report projects a total of $14 million in unbudgeted revenues during FY00/01. Of this amount, $8.5 million has already been earned and $2.3 million is projected to be earned as a result of the temporary (3 month) $0.01/kWhr surcharge authorized by the CPUC to be charged to PG&E customers effective January 1, 2001.[1] The remaining $3.2 million is attributable to a combination of increased loads and a presumption that the PG&E surcharge will remain in effect through June 30, 2001.

[1] Under existing PUC rate policy which was ratified by the Board of Supervisors, certain classes of Hetch Hetchy customers are charged rates equivalent to PG&E retail. Specifically, Enterprise Fund

For purposes of this supplemental, we have assumed incremental revenues of $10.8 million ($8.5 million already earned, plus $2.3 million from rate increases) will be available. To the extent that actual revenues may exceed this amount, the amount of funds appropriated from Hetch Hetchy's Fund Balance will be reduced accordingly.

Wholesale Power Market Outlook

Based on recent power price forecasts issued by PIRA Energy Group, present expectations are that power prices will remain at very high levels through February, but are expected to decline in March through May (spring snowmelt). Thereafter, presuming we see a warm summer similar to Summer 2000, prices are expected to reach or exceed levels experienced during June through October 2000. PIRA believes that continued shortages of natural gas supplies will keep prices higher than "normal" (although not at the extraordinarily high levels experienced this winter) until gas production catches up with demand. PIRA experts believe that may occur within 12-18 months.

Presently, we are struggling to prepare an estimate of power purchase costs for FY01/02. We believe that costs may range from $40 to $80 million. The actual level of expenditures experienced will depend upon a number of factors, the most significant of which are:

- Hydrology. As a 100% hydroelectric utility, Hetch Hetchy's power purchase budget is significantly impacted by variations in hydrology. This year, for example, we are experiencing dry conditions. To-date, we have received about 75% of the precipitation normally received by this time. This year's final power purchase expenditures will depend in large part upon whether or not we approach "normal" hydrological conditions within the next 4-6 weeks.

  Hetch Hetchy's actual electric production varies widely with hydrology – from about 1.2 to 2.2 billion kWhrs per year. Since we cannot accurately predict hydrology, we assume "normal" (historic average) hydrological conditions at the beginning of every budget year. In other words, our FY01/02 budget assumes full reservoirs on July 1st and "normal" hydrology thereafter.

- Multi-year power purchase. The daily California wholesale power market is presently very volatile. Volatility can be significantly moderated by extending the term of a power purchase commitment beyond the period of resource shortages. Specifically, the market is presently quoting lowest prices for purchase commitments of 5-10 years. Since the market expects electric shortages to continue for up to 3 years, Hetch Hetchy is issuing a request for bids for a 3, 5, 7 and 10 year purchase of power.

and Retail customers are charged PG&E retail rates.

In addition, Hetch Hetchy constantly seeks improvements to its net revenues through a combination of reduced costs of service and new sources of revenues. These efforts will continue diligently throughout the next and future years. However, since results are speculative at present, we would not recognize the impact of any net revenue improvements in Hetch Hetchy's budget until such time as an opportunity has progressed to a point where its successful implementation seems fairly certain.

Salary Savings

In Hetch Hetchy's request for supplemental appropriation, we indicated an expectation of approximately $1 million in salary savings during FY00/01. As you know, Hetch Hetchy commenced a reorganization during calendar year 2000. That reorganization is still in progress. A major part of that reorganization involved significantly upgrading the skills of existing and new Hetch Hetchy professional/technical staff such that they could help Hetch Hetchy aggressively pursue new business opportunities and restore the levels of economic benefits Hetch Hetchy produced prior to the electric restructure. However, it took a bit longer than we expected to develop and implement the class consolidation strategy needed to implement the reorganization. As a result, we have a significant number of vacancies which produced the $1 million in projected salaries savings.

On November 13, 2000, DHR approved the consolidation of six classifications in the Energy Conservation and the Water and Power Resource Planning series into two professional/technical classifications: the 5601 Utility Analyst and the 5602 Utility Specialist. The purpose of this class consolidation was to significantly streamline the process of recruiting and hiring a wide range of analytical and project development staff – from power marketers and schedulers, to hydrologists, economists, environmental experts, energy efficiency experts, and renewable energy developers. Recruitment began on November 22, 2000. We are presently in the process of reviewing the applicant pool and making offers. We expect to fill 12 professional/technical vacancies within the next 4-6 weeks.

These positions are of critical importance to Hetch Hetchy's mission and are the foundation of Hetch Hetchy's business analysis and project development. Now that the class consolidation has been approved, we intend to fill all of these vacancies expeditiously. Five of these positions will implement the aggressive energy conservation and efficiency projects that are needed to implement the Mayor's directive of a 5% energy savings by Summer 2001 and a 10% energy saving by Summer 2002. Three of these positions will develop and implement renewable energy and distributed generation projects, including solar, wind, fuel cells and natural gas cogeneration. Two positions will serve as the City's experts in matters concerning "siting" of power generation and transmission facilities, with a goal of minimizing air emissions and other environmental impacts and attaining the public policy goal of "environmental justice." The remaining two positions are needed to support Hetchy Hetchy's wholesale water and power operations, especially in power marketing and water supply planning.

The projected $1 million in salary savings assumes that we will fill all of these vacancies within the next 4-6 weeks.

Capital Project Deobligations

Hetch Hetchy has critically reviewed its current capital projects and determined that the proposed New Moccasin Penstock Project can be deferred for 1-2 years without risk to public health and safety. We are presently completing engineering design on this project but intend to defer putting the project out to bid until next year. In the meantime, we have set aside the balance of $7.4 million remaining in the New Moccasin Penstock Project in case it is needed to meet additional unbudgeted power purchases.

There are two existing penstocks at Moccasin Powerhouse. It is our intent to build the new Moccasin Penstock before taking the existing penstocks out of service for maintenance and repairs. In this manner, the reliability of this segment of the City's water delivery system will be maintained.

The repair of the existing penstocks has been deferred until FY02/03. Therefore, the new Moccasin Penstock can also be deferred until that time. It is our intent to request refunding of this project in FY02/03. When both existing penstocks are repaired and the new penstock placed in service, generation at Moccasin Powerhouse will increase by approximately 3%, or 12,000 MWhrs per year.

Distribution
Mayor's Budget Office – James Maclachlan
Controller's Office – Matthew Hymel
PUC General Manager – John P. Mullane, Jr.
PUC Assistant General Managers - Larry Klein, Bill Berry
PUC Finance – Kingsley Okereke, Carlos Jacobo
HHWP – Senior Management Staff
Records

Attachment IV

HETCH HETCHY WATER AND POWER
WHOLESALE POWER PURCHASES
FY93/94 TO CURRENT

Attachment IV
Source: Hetch Hetchy

WY Index	1.38	0.45	2.09	1.24	1.73	1.80	1.14	Est. 0.75
Fiscal Year:	93/94	94/95	95/96	96/97	97/98	98/99	99/00	00/01 (as of 2/19/01)
Quantity (MWhrs)								
Jul	3,213	42,680	482	6,045	151	188	6,225	2,080
Aug	64,047	49,463	3,762	31,087	400	25,128	9,302	0
Sep	59,540	82,455	37,145	23,679	0	78,298	4,732	373
Oct	68,801	17,440	55,440	41,017	27,521	59,035	76,341	30,700
Nov	60,143	18,524	64,309	32,938	96,914	18,940	110,345	56,863
Dec	88,436	7,611	48,380	315	79,784	19,990	108,681	53,820
Jan	102,365	15,835	37,022	42,026	48,590	50,179	92,969	64,170
Feb	66,628	120	0	0	0	0	35,047	11,520
Mar	600	230	11,010	0	0	0	0	0
Apr	1,673	0	0	0	0	0	0	0
May	0	345	2,269	0	0	0	0	0
Jun	31,939	201	150	0	155	0	0	0
Totals	547,385	234,904	259,969	177,107	253,515	251,758	443,642	219,526
Average Price ($/MWhr)								
Jul	$20.60	$22.72	$11.34	$9.82	$35.00	$44.35	$20.39	$59.73
Aug	$24.59	$22.67	$17.37	$14.50	$16.00	$28.71	$54.77	$0.00
Sep	$24.44	$23.85	$19.74	$14.08	$0.00	$30.75	$38.02	$131.21
Oct	$24.24	$17.00	$19.75	$18.40	$41.50	$26.74	$47.67	$89.15
Nov	$28.45	$21.28	$17.85	$23.06	$22.61	$28.71	$35.56	$97.32
Dec	$19.35	$18.32	$17.89	$28.73	$22.16	$23.35	$30.25	$244.01
Jan	$25.87	$19.63	$10.76	$33.19	$22.07	$21.69	$30.49	$182.70
Feb	$26.23	$17.50	$0.00	$0.00	$0.00	$0.00	$31.02	$235.30
Mar	$23.00	$14.04	$19.75	$0.00	$0.00	$0.00	$0.00	$0.00
Apr	$18.68	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
May	$0.00	$10.65	$15.41	$0.00	$0.00	$0.00	$0.00	$0.00
Jun	$20.16	$10.92	$19.00	$0.00	$16.00	$0.00	$0.00	$0.00
Weighted Average:	$24.24	$22.18	$17.56	$21.24	$24.41	$27.07	$35.14	$164.04
Total Power Purchases:								
Jul	$66,201	$969,784	$5,467	$59,349	$5,285	$8,338	$126,955	$124,240
Aug	$1,574,909	$1,121,129	$65,340	$450,719	$6,400	$721,501	$509,440	$0
Sep	$1,455,349	$1,966,750	$733,155	$333,288	$0	$2,407,527	$179,887	$48,875
Oct	$1,667,707	$296,480	$1,094,940	$754,571	$1,141,982	$1,578,753	$3,638,959	$2,736,800
Nov	$1,710,850	$394,216	$1,147,915	$759,481	$2,190,936	$543,735	$3,923,740	$5,533,701
Dec	$1,710,850	$139,405	$865,580	$9,050	$1,767,784	$466,745	$3,287,130	$13,132,702
Jan	$2,648,181	$310,839	$398,355	$1,394,750	$1,072,283	$1,088,297	$2,835,053	$11,723,570
Feb	$1,747,861	$2,100	$0	$0	$0	$0	$1,087,150	$2,710,600
Mar	$13,800	$3,230	$217,448	$0	$0	$0	$0	$0
Apr	$31,244	$0	$0	$0	$0	$0	$0	$0
May	$0	$3,674	$34,958	$0	$0	$0	$0	$0
Jun	$644,018	$2,195	$2,850	$0	$2,480	$0	$0	$0
Totals	$13,270,970	$5,209,799	$4,566,006	$3,761,207	$6,187,150	$6,814,896	$15,588,314	$36,010,488

Item 5 - File 01-0145

Department:	Sheriff's Department Treasure Island Development Authority
Item:	Resolution approving a sublease, retroactive to July 1, 2000, between the City and the Treasure Island Development Authority for property on Treasure Island commonly known as the Treasure Island Naval Brig, or jail, (Buildings 670 & 671), located at the Corner of 13th and M Streets on Treasure Island, for an annual rent not to exceed $250,000 per year.
Location:	Treasure Island Brig facility (Buildings 670 & 671), located at the Corner of 13th and M Streets
Purpose of Sublease:	Under the proposed sublease, the Sheriff's Department would use the Treasure Island Naval Brig for training and, in the case of an emergency, overflow jail facilities.
Lessor:	U.S. Navy (Master Lease)
Lessee:	Treasure Island Development Authority
Sublessee:	Sheriff's Department
Term of Sublease:	Commencing retroactively to July 1, 2000 and terminating on May 15, 2005, for a sublease term of four years and eleven months (See Comment No. 1). Under the proposed sublease, the Sheriff's Department would have three options for using the Naval Brig ("the Brig") facility: 1) The Sheriff's Department would be authorized to use the Brig facility for a total of 90 days per fiscal year for Deputy Sheriff training purposes; 2) Additionally, upon written notice of an emergency to the Treasure Island Development Authority, the Sheriff's Department would be able to use the Brig facility during an emergency to house approximately 100 nonviolent prisoners during the duration of the emergency.[1] Under the proposed sublease, the Sheriff's

[1] The proposed lease defines "emergency" as "...any situation or condition in the City and County of San Francisco which creates a widespread threat to life, property, or the welfare of the City and County of San Francisco or its citizens as determined by the Mayor."

Department would not be charged additional rent by the Treasure Island Development Authority for such emergency use of the Brig facility;

3) The Sheriff's Department may request permission from the Treasure Island Development Authority to use the Brig facility during non-emergencies to: (a) temporarily house approximately 100 nonviolent prisoners, or (b) use the facility for any use, such as longer-term housing of inmates, approved in writing by the Executive Director of the Treasure Island Development Authority. The Sheriff's Department would be required to make such requests at least 30 days prior to the date the Sheriff's Department would like to begin using the facility. According to Mr. Stephen Proud of the Treasure Island Development Authority, before granting permission for such non-emergency use of the Brig facility, the Treasure Island Development Authority would have the option to negotiate an amended lease including an increased rent with the Sheriff's Department if the Sheriff's Department proposed using the facility for an extended period of time. Such a lease amendment and any related additional funds would be subject to approval by the Board of Supervisors. The subject sublease states that the Treasure Island Development Authority "...shall not unreasonably withhold permission to use the Premises during such non-emergency and/or non-Permitted Use Period."

Right of Renewal: None

Number of Square Feet: Approximately 2.25 acres (98,010 square feet), including approximately 28,163 square feet for the Brig building. The balance of 69,847 square feet (98,010 less 28,163) would be used by the Sheriff's Department for secured prisoner outdoor recreation and parking.

Rent and Other Costs Payable to the Treasure Island Authority by the Sheriff's Department: $250,000 per year, paid annually in advance of July 1st for each fiscal year during the four-year and eleven-month term of the lease. In addition to the $250,000 annual rent, the City will be required to pay to Treasure Island Development Authority additional fees of $19,620 per year, including:

(1) The City will pay for the Common Area Maintenance Charge (Navy CAM Charge) fee charged by the Navy to the Treasure Island Development Authority under the Master Lease. Under the proposed sublease, the Sheriff's Department would be required to pay $900 per month, or $10,800 annually, to the Treasure Island Development Authority for the CAM Charge.[2]

(2) The City will pay to the Treasure Island Development Authority a monthly Landscaping Charge of $735, for a total annual charge of $8,820.

Therefore, the total annual charges to be paid by the Sheriff's Department to the Treasure Island Development Authority will be $269,620 ($250,000 in rent plus $19,620 in additional fees).

Ms. Jean Mariani of the Sheriff's Department advises that the Sheriff's Department will make Navy CAM and Landscaping payments monthly to the Treasure Island Development Authority, for the entire term of the sublease, whether the Sheriff's Department is using the facility or not. The proposed sublease contains no provisions for annual adjustments for the rent, the CAM or the Landscaping Charge.

[2] According to Mr. Stephen Proud of the Treasure Island Development Authority, the CAM is based on $0.025 per square foot per month for the 28,163 interior space of the Brig building and $0.003 per square foot per month for the 69,847 exterior space, totaling $913.62 per month. However, the proposed sublease states that the Navy CAM charge is not to exceed $900 per month. Therefore the Sheriff's Department would be required to pay to the Treasure Island Development Authority $900 per month, or $10,800 annually.

Source of Funds: Ms. Mariani advises that the Sheriff's Department's Fiscal Year 2000-2001 General Fund budget includes $269,620 to fund the $250,000 in rent and $19,620 in additional fees discussed above, which the Sheriff's Department must pay to the Treasure Island Development Authority for Fiscal Year 2000-2001 (See Comment No. 4).

Utilities and Maintenance: Under the proposed sublease, the City would pay for all maintenance and utility costs at the Brig facility. Mr. Stephen Proud of the Treasure Island Development Authority advises that the City would be required to pay these costs, estimated at $92,000 annually, year round for the entire four years and eleven months of the sublease term. (See Comment No. 4 for all estimated costs.)

Description: On May 2, 1997, the Board of Supervisors authorized the creation of the Treasure Island Development Authority as a nonprofit public benefit corporation to act as a single entity focused on the planning, redevelopment, reconstruction, rehabilitation, reuse and conversion of former United States Naval Station Treasure Island (Resolution No. 244-97-3). On October 12, 1997, the California Legislature approved the Treasure Island Conversion Act of 1997, which designated the Authority as a trustee of the State Tidelands Trust and as a redevelopment agency with jurisdiction over Treasure Island and Yerba Buena Island. The Treasure Island Development Authority currently leases from the Navy the Treasure Island Brig facility, discussed below, under a five-year Master Lease, which began on April 5, 1999 and will terminate on April 4, 2004. (See Comment No. 2 below).

The proposed resolution would authorize a sublease between the City and the Treasure Island Development Authority for the Sheriff's Department to use the Brig on Treasure Island. The Brig is a two-story, 28,163 square foot jail facility built by the Federal government in 1992. As described above, under the proposed sublease the Sheriff's Department would have authority to use the Brig facility, for: (1) 90 days of officer training; (2) to temporarily house prisoners during an emergency; and (3) to temporarily house prisoners during non-emergency

periods, or for any other use, as approved by the Executive Director of the Treasure Island Development Authority. According to Mr. Proud, before granting permission for such non-emergency use of the Brig facility, the Treasure Island Development Authority would have the option to negotiate an amended lease and increased rent with the Sheriff's Department if the Sheriff's Department proposed using the facility for an extended period of time, which would be subject to approval by the Board of Supervisors.

According to Ms. Mariani, the Sheriff's Department currently plans to use the Brig facility as a training facility and as a temporary emergency overflow jail. Ms. Mariani reports that the training to take place at the Brig would consist of an annual Advanced Officer course for all sworn employees working in City and County jails and a four- to seven-week introductory course for newly-hired officers. According to Ms. Mariani, the Sheriff's Department would use the Brig facility as a temporary overflow jail for emergencies such as large protests that result in mass arrests. Furthermore, Ms. Mariani advises that the Sheriff's Department does not have alternative vacant space for overflow housing of prisoners. In the past, when the Sheriff's Department has faced jail overcrowding, the Sheriff's Department has rented jail space from other jurisdictions, and when such space is not available, the Sheriff's Department has been forced to release prisoners from custody early, according to Ms. Mariani and as stated in Attachment I, provided by the Sheriff's Department.

Tenant Improvements:

The Fiscal Year 1997-98 budget, as finally approved by the Board of Supervisors, included a $2,100,000 General Fund reserve for the Treasure Island Brig project. The Sheriff's Department planned a project that would convert the Treasure Island Brig facility to a permanent jail facility that would house 140 prisoners in order to relieve jail overcrowding at County Jail No. 3 in San Bruno. Ms. Mariani advises that the Sheriff's Department was never able to operate the Treasure Island Brig as a full-time jail due to insufficient staffing (discussed further in Comment No. 6 below). Ms. Mariani advises that since 1997, the Sheriff's Department has expended a total of $1,099,409

in capital improvements, listed as construction costs in Attachment II, provided by the Sheriff's Department. In addition, Attachment III provided by the Sheriff's Department contains an explanation of these projects and the amount originally budgeted for these projects, totaling $1,380,000 or $280,591 less than the actual expenditures of $1,099,409 due to savings realized during construction, according to Ms. Mariani.

Comments:

1. According to Ms. Mariani, the proposed sublease will commence retroactively because the Sheriff's Department has been using the Brig since July 1, 2000 for training purposes. Ms. Mariani advises that the Sheriff's Department did not first obtain Board of Supervisors approval before using the Treasure Island Brig facility because the Sheriff's Department and the Treasure Island Development Authority were negotiating to finalize the sublease documents.

2. As noted previously, the Treasure Island Development Authority currently leases from the Navy the Treasure Island Brig facility under a five-year Master Lease, which began on April 5, 1999 and will terminate on April 4, 2004. The Budget Analyst notes that the term for the proposed sublease between the Sheriff's Department and the Treasure Island Development Authority would expire on May 15, 2005, more than one year past the expiration of the Master Lease with the Navy. Mr. Proud advises that the Treasure Island Development Authority expects to complete the transfer of ownership of the Naval Station on Treasure Island from the Navy to the Treasure Island Development Authority before the Master Lease the Treasure Island Development Authority holds with the Navy expires. According to Mr. Proud, in the event that such a transfer does not take place before the Master Lease expires, the Treasure Island Development Authority would seek an extension of the Master Lease with the Navy.

3. Ms. Mariani reports that, since 1997, the Sheriff's Department has expended a total of $2,335,311 at the Treasure Island Brig, including a total of $1,099,409 in construction costs and $1,235,902 in operational costs, as outlined in Attachment II, provided by the Sheriff's Department. Ms. Mariani advises that the total

$1,235,902 in operating costs, including the limited staffing, utilities and supplies required to support the construction improvements taking place. The total expenditure of $2,335,311 also includes $44,248 in operating costs since July 1, 2000 for Fiscal Year 2000-2001. According to Ms. Mariani, upon approval of the proposed sublease, the Sheriff's Department would also pay to the Treasure Island Development Authority the entire $250,000 in rent for FY 2000-2001, plus the $900 monthly Navy CAM fees and the $735 monthly Landscaping fees, discussed above, retroactive to July 1, 2000, for a approximate total one-time payment of $263,080 ($250,000 rent plus $7,200 for eight months of Navy CAM fees and $5,880 for eight months of Landscaping fees, for July of 2000 through February of 2001). Ms. Mariani advises that the Sheriff's Department has a total of $269,620 in the department's Fiscal Year 2000-2001 budget to cover this one-time payment of $263,080, as well as the $3,600 in Navy CAM fees and $2,940 for the remaining four months of Fiscal year 2000-2001 (March through June of 2001).

4. As shown in Attachment II, provided by the Sheriff's Department, annual cost to the Sheriff's Department for the proposed lease and operation of the Treasure Island Brig would be an estimated $373,620 per year. This annual budget of $373,620 includes: (a) $269,620 in rent and additional fees to be paid to the Treasure Island Development Authority ($250,000 for rent plus $10,800 for the Navy CAM Charge plus $8,820 in Landscaping fees), (b) $80,000 for utilities, (c) $12,000 for maintenance, (d) $10,000 for contractual services, including pest control and the purchase of bottled water, and (e) $2,000 for materials and supplies. Ms. Mariani advises that the Sheriff's Department would use existing staff and salaries to provide staffing at the Brig during training periods. According to Ms. Mariani, if the Sheriff's Department were to house prisoners temporarily at the Brig during an emergency, the Sheriff's Department would most likely staff the facility using overtime funds. Depending on the scale of the emergency, the Sheriff's Department would either fund the additional costs of operating an emergency overflow jail at the Brig from existing budgeted funds or be required to request a supplemental appropriation for such unexpected costs, according to Ms. Mariani. Ms.

Mariani advises that the Sheriff's Department is unable to provide an estimate for how much additional funding would be needed, since such an estimate would depend entirely on the magnitude of emergency.

5. Under the proposed sublease, the Sheriff's Department would not have exclusive rights to the Treasure Island Brig. The sublease states that the Treasure Island Development Authority "...shall have the right to enter and use the Premises at any time during the Term of this Agreement which does not conflict with any Permitted Use Period." Mr. Proud advises that such provision was included to allow the Treasure Island Development Authority access to the Treasure Island Brig, when the Sheriff's Department was not using the facility, for purposes such as renting the facility to film studios or other short-term purposes.

6. In 1997 the Sheriff's Department began plans to renovate the Treasure Island Brig facility in order to use the Treasure Island Brig as a full-time County Jail. Initially, the Sheriff's Department proposed housing an average of 130 to 140 prisoners who would otherwise be housed at Jail No. 3 in San Bruno, as part of an effort to relocate as many inmates as possible from Jail No. 3 in anticipation of the United States District Court stipulating that the Sheriff's Department must reduce the inmate population at San Bruno Jail No. 3. However, Ms. Mariani advises that ultimately, the Sheriff's Department was able to fulfill required improvements at the San Bruno Jail No. 3, outlined by the United States District Court, without relocating prisoners to the Treasure Island Brig. As described in further detail below, the Sheriff's Department completed capital improvements at the Treasure Island Brig during Fiscal Years 1997-1998 and 1998-1999. However, in Fiscal Year 1999-2000, the Sheriff's Department was unable to house inmates at the Treasure Island Brig due to insufficient staffing.

Ms. Mariani advises that after the Sheriff's Department completed its capital improvements to the Treasure Island Brig, in Fiscal Year 1999-2000 the department began using the Treasure Island Brig for training purposes. Mr. Proud advises that the Sheriff's Department did not pay any rent to the Treasure Island

Development Authority during completion of the capital improvements at the Treasure Island Brig or during the subsequent period of training during Fiscal Year 1999-2000.

Fiscal Year 1997-1998

In November of 1997 the Board of Supervisors approved a supplemental appropriation of $1,699,955 (File 101-97-20) to fund capital improvements and operating costs at the Treasure Island Brig, as well as to fund 24 new positions (22 Deputy Sheriffs and two engineers), which the Board of Supervisors also approved in 1997 to staff the Treasure Island Brig.[3] However, Ms. Mariani advises that Sheriff's Department did not house inmates at the jail in Fiscal Year 1997-1998 because the capital improvements required more time than was originally expected and were not completed until the end of Fiscal Year 1998-1999. As a result, the Sheriff's Department expended a total of $932,289 on the Treasure Island Brig in Fiscal Year 1997-1998, as shown in Attachment II. The total expended amount of $932,289 included $573,560 in capital costs and $358,729 in operating costs for the limited staffing, utilities and supplies required to support the construction improvements taking place, according to Ms. Mariani. Ms. Mariani advises that the Sheriff's Department did not fill the 24 new positions approved the previous fiscal year and instead used the resulting salary savings to fund deficits in other accounts in the department's budget.

Fiscal Year 1998-1999

According to Ms. Mariani, in Fiscal Year 1998-1999, the Sheriff's Department was appropriated $5,989,987 in its original budget, for operating costs ($5,173,526) and additional capital improvements ($816,461) to run a full-time jail at the Treasure Island Brig. Ms. Mariani advises that the budgeted amount for operating costs included approximately $2.3 million for the salaries, benefits and related costs of approximately 42 existing positions to be transferred from the San Bruno Jail No. 3 to the Treasure Island Brig. However, the Sheriff's Department again postponed operating the Brig as a full-time jail in order to

[3] The $1,699,955 appropriation was made from a $2,100,000 General Fund Reserve that was established by the Board of Supervisors in the Fiscal Year 1997-98 budget for the Naval Brig on Treasure Island.

complete additional improvements necessary for housing inmates, according to Ms. Mariani. Ms. Mariani advises that in Fiscal Year 1998-1999, the Sheriff's Department expended $1,135,018 at the Treasure Island Brig, as outlined in Attachment II, leaving a balance of $4,854,969 (original budget of $5,989,987 less expenditures of $1,135,018). Of this balance of $4,854,969, Ms. Mariani advises that approximately $2.3 million funded the existing 42 employees discussed above, which remained at the San Bruno Jail No. 3 and were never transferred to the Treasure Island Brig as previously planned. Ms. Mariani advises that in Fiscal Year 1998-1999, the Sheriff's Department again postponed filling the 24 new positions approved in Fiscal Year 1997-1998, and the department used the resulting salary savings of approximately $2,554,969 to fund deficits in other accounts in the department's budget.

Fiscal Year 1999-2000

Ms. Mariani advises that for Fiscal Year 1999-2000, the Sheriff's Department was appropriated $5,195,625 in its original budget for expenditures at the Treasure Island brig. However, in Fiscal Year 1999-2000, the Sheriff's Department was unable to house inmates at the Treasure Island Brig due to insufficient staffing, according to Ms. Mariani. Ms. Mariani advises that a growing inmate population in the County required the Sheriff's Department to operate San Bruno Jail No. 3 at full capacity, thus preventing the Sheriff's Department from transferring the existing 42 San Bruno positions to the Treasure Island Brig and leaving the Treasure Island Brig with insufficient staff to operate as a jail. Ms. Mariani states in Attachment I that the Sheriff's Department has never received full funding to operate the Treasure Island Brig and all other jails in the system at full capacity at the same time. Ms. Mariani further advises that the Treasure Island Brig is a very labor-intensive jail and that operating San Bruno Jail No. 3 at full capacity is more cost effective than transferring inmates to the Treasure Island Brig. As stated previously, the Sheriff's Department had originally made plans to operate a full-time jail at the Treasure Island Brig in anticipation of the United States District Court requiring a reduction in the number of inmates at San Bruno Jail No. 3, which ultimately was not necessary.

However, in order to meet staffing requirements outlined by the United States District Court's ruling against the Sheriff's Department, the Sheriff's Department reassigned to the San Bruno Jail No. 3 the 24 new positions originally approved in Fiscal Year 1997-1998 for the Treasure Island Brig. As a result, the Sheriff's Department expended only $223,756 of its Fiscal Year 1999-2000 budget of $5,195,625 for the Treasure Island Brig. Ms. Mariani advises that the remaining balance of $4,971,869 was used: (a) to fund the existing 42 employees that were intended to be transferred to the Treasure Island Brig but instead remained at San Bruno Jail, (b) to fill the 24 positions approved in Fiscal Year 1997-1998 for the Treasure Island Brig, but now needed at the San Bruno Jail No. 3. Ms. Mariani advises that any additional salary savings realized from position vacancies was used to fund deficits in other accounts in the Sheriff's Department's budget.

7. Ms. Mariani states in Attachment I that:

> "...While the jail population has leveled off over the past year, it is again on the increase. We cannot predict the size of our jail population in the future and we will not have a new jail facility [to replace the San Bruno Jail No. 3] for at least three years. Therefore, it is only prudent that we protect the investment the City has made in [the Treasure Island Brig] as a hedge against future population increases. It is also insurance against another Federal lawsuit should the jails become overcrowded during this period."

Ms. Mariani advises that, at this time, the Sheriff's Department will take advantage of using the Treasure Island Brig for training, which will be greatly enhanced by having access to actual jail cells. Ms. Mariani reports that due to the County's large inmate population, which currently consist of approximately 1,900 inmates in the City's eight jails, the Sheriff's Department has no other vacant jail space available for training. Prior to the Sheriff's Department beginning to use the Treasure Island Brig for training purposes in Fiscal Year 1999-2000, the Sheriff's Department was required to hold

training in a conference room located in City-owned office space at 555 7th Street. Ms. Mariani notes that this conference space does not meet the Sheriff's Department's training needs because it is particularly important for newly-hired officers to gain training experience in a actual jail facility as opposed to using a simulated environment. In addition, the Sheriff's Department will have access to the Treasure Island Brig to house prisoners during emergencies.

8. The proposed sublease states that both the City and the Treasure Island Development Authority "...may terminate this Sublease prior to the Expiration Date [of May 15, 2005] by giving to the other party written notice of intent to terminate the Sublease one year prior to the intended date of termination."

9. According to Mr. Proud, the Treasure Island Development Authority hired a private firm, Clifford Associates, to appraise the value of the subject Treasure Island Brig facility. On July 21, 2000, the appraiser determined that the fair market rent for the Brig facility would be $1.1 million per year. Mr. Proud advises that the Treasure Island Development Authority has agreed to charge the Sheriff's Department an annual rent of $250,000, or 22.7 percent of the Brig's annual rental market value, since the Sheriff's Department will only be authorized to use the Brig facility for 90 days, or approximately one-fourth of a year, per year for training purposes. Mr. Steve Alms of the Real Estate Division of the Administrative Services Department has reviewed the appraisal of the Brig facility commissioned by the Treasure Island Development Authority and agreed that the rent charged to the Sheriff's Department represents fair market value.

10. The subject sublease states that the Sheriff's Department:

> "...shall not permit any inmates to be housed at the premises who have a known record of violent behavior, including without limitation, a known record for murder, manslaughter, assault, battery, rape, or sexual molestation. Subtenant [Sheriff's Department] shall not permit any portion of the

Premises to be used as a shooting range by any of the Subtenant's peace officers, personnel, or invitees. Subtenant acknowledges that there are residential dwellings and a public elementary school in the general vicinity of the Premises, and Subtenant agrees to use good faith efforts to prevent any interference with such residential and public school activities by Subtenant's use of the Premises."

Mr. Proud advises that the Treasure Island Development Authority plans to give residents on Treasure Island 30 days notice of any plans of the Sheriff's Department to house inmates in the Brig facility in non-emergency situations. In addition, Ms. Mariani advises that the training to be conducted at the Brig by the Sheriff's Department will not involve any live ammunition or chemical agents.

11. Under the proposed sublease, the Sheriff's Department indemnifies the Treasure Island Development Authority and the Navy, as Master Landlord, and their agents and employees as defined in the lease. The proposed sublease states:

"Subtenant [Sheriff's Department], on behalf of itself and Subtenant's Agents, covenants and agrees that the Indemnified Parties [described above] and Master Landlord shall not be responsible for or liable to, and, to the fullest extent allowed by any Laws, Subtenant hereby waives all rights against the Indemnified Parties and releases them from, any and all Losses, including, but not limited to, incidental and consequential damages, relating to any injury, accident or death of any person or loss or damage to any property, in or about the Premises, from any cause whatsoever, including without limitation, partial or complete collapse of any improvements on the Premises due to an earthquake or subsidence, except only to the extent such Losses are caused by the negligence or willful misconduct of the Indemnified Parties."

According to Mr. Donnell Choy of the City Attorney's Office, the indemnification provision contained in the

sublease is standard in all subleases entered into by the Treasure Island Development Authority with any entity wishing to sublease property on Treasure Island. Mr. Choy advises that if there were another large earthquake comparable to or greater in magnitude than the 1989 Loma Prieta Earthquake during the term of this sublease, the City would not be able to look to the Treasure Island Development Authority to recover any losses arising therefrom, according to Mr. Choy. Mr. Choy advises that when the City is acting as the landlord in its own leases, the City includes similarly broad indemnification provisions in its leases.

12. In summary, the Budget Analyst notes the following: (a) since Fiscal Year 1997-1998, the Sheriff's Department has expended a total of $1,099,409 (Attachment II) in capital expenditures to convert the Treasure Island Brig into a jail usable by the City; (b) the Sheriff's Department originally intended to house approximately 130 to 140 inmates at Treasure Island Brig in an effort to relieve overcrowding at the San Bruno Jail No. 3; (c) in order to staff the converted Treasure Island Brig, the Sheriff's Department received 24 new positions during Fiscal Year 1997-1998; (d) the Sheriff's Department was also budgeted funds to operate the Treasure Island Brig as a full-time jail, including $5,173,526 in Fiscal Year 1998-1999 and $5,195,625 in Fiscal Year 1999-2000; (e) however, because the Treasure Island Brig configuration is such that its operation is more labor-intensive than other City jail facilities, the Sheriff's Department was unable to operate the Treasure Island Brig due to staffing limitations and, therefore, expended the additional funds elsewhere in the City jail system to compensate for an increase in the prisoner population; (f) by requesting that the Board of Supervisors approve the subject sublease of the Treasure Island Brig, the Sheriff's Department is now proposing to use the Treasure Island Brig for the alternative purpose of training officers and maintaining space for emergency overflow housing of inmates.

Recommendation: Approval of the proposed resolution is a policy matter for the Board of Supervisors.

BOARD OF SUPERVISORS
BUDGET ANALYST

City and County of San Francisco

OFFICE OF THE SHERIFF

Michael Hennessey
SHERIFF

415 - 554 - 7225

February 20, 2001
Ref. No.: CFO 01-002

TO: Budget Analyst's Office

FROM: Jean M. Mariani, jmm Chief Financial Officer

SUBJECT: Lease of the Treasure Island Brig

During 1997, the City was under a federal court order to resolve jail overcrowding and conditions at County Jail #3 in San Bruno. In conjunction with the Mayor and the City Attorney, the Sheriff proposed opening the Treasure Island Brig to reduce the population at CJ#3 as part of the settlement of the lawsuit. The Board of Supervisors approved a supplemental appropriation that year, anticipating occupancy of the Brig sometime in the following fiscal year (see Lt. LaVigne's February 9, 2001 memorandum for a discussion of the capital improvements related to the facility).

When the final draft of the settlement was presented to the court, use of the Treasure Island Brig to house prisoners was not included. However, greatly increased staffing at CJ #3 was part of the settlement, so the staff approved for TI were assigned to CJ #3 instead.

Because the jail population was continuing to increase during that time, we were concerned that we would have need of the Brig for overflow purposes. We do not have other appropriate vacant space for housing prisoners. In those instances in the past where we have had significant and serious overcrowding, the Sheriff has been forced to release prisoners from custody early (or rent space in Alameda County's jail, now unavailable).

ROOM 456, CITY HALL
1 DR. CARLTON B. GOODLETT PLACE
SAN FRANCISCO, CA 94102
FAX 415 - 554 - 7050

While the jail population had leveled off over the past year, it is again on the increase. We cannot predict the size of our jail population in the future and we will not have a new jail facility (to replace CJ #3) for at least three years. Therefore, it is only prudent that we protect the investment the City has made in this facility as a hedge against future population increases. It is also insurance against another federal lawsuit should the jails become overcrowded during this period.

In the interim, the Sheriff's Department has taken advantage of the facility for training. State training standards for deputy sheriffs require four to six weeks of core training in jail management techniques before working in a jail, as well as 24 hours of annual training for continuing certification. Having actual jail cells available enhances training in cell removal techniques, etc.

We have used the Treasure Island Brig for prisoners twice, during the 2000 millennium weekend, to free up space at the 425-7th St. jail in case there were mass arrests, and for a multi-jurisdiction mass-arrest coordination site with the U.S. Marshal and the FBI.

The attached spreadsheet presents the Sheriff's Department expenditures to date for the Treasure Island Brig. Our estimated annual costs, including lease, utilities, and maintenance expense, are approximately $373,620. The Mayor's Office included and the Board of Supervisors approved $260,871 for this lease payment in our 2000-01 budget.

In 1997-98 and 1998-99, the Sheriff's Department budget included appropriations of $1,699,955 and $5,989,987 for operating the Treasure Island Brig. In 1999-00, we combined the TI Brig budget with the San Bruno budget, and used the vacant positions in the TI budget to meet the terms of the federal court settlement. The TI Brig is a very labor-intensive jail, less cost-effective to operate than the Sheriff's other facilities. The Sheriff has never received full funding to operate the TI Brig and all other jails in the system at full capacity. The funding levels presumed partial closure of several floors of CJ #3, and a transfer of those inmates and deputies to TI.

Attachment II

San Francisco Sheriff's Department
Treasure Island Brig Expenditures
1997 to Present

	1997-98	1998-99	1999-00	2000-01*	Totals		Annual
Salaries	120,853	312,372	89,356	-	522,581		
Benefits	28,242	58,311	16,190	-	102,743		
Contractual Services		11,050	15,106	1,084	27,240		10,000
Maintenance Services	84,302	12,356	11,283	10,311	118,252		12,000
Utilities	7,630	53,041	76,724	31,872	169,267		80,000
Materials/Supplies	88,543	100,207	10,149	981	199,880		2,000
Equipment	29,159	61,832	3,550	-	94,541		-
Workorders	-	-	1,398	-	1,398		-
Construction	573,560	525,849	-	-	1,099,409		-
Facility Rent	-	-	-	-	-		269,620
Totals	932,289	1,135,018	223,756	44,248	2,335,311		373,620
*thru 2/7/01							

Source: Sheriff's Department

San Francisco Sheriff's Department

INTER-OFFICE CORRESPONDENCE

Sheriff's Bureau of Building Services

Attn: Ms. Jean Mariani
From: Lt. Michael La Vigne
Subj: Capital Improvements at the Treasure Island Brig

Friday, February 09, 2001

The following is a short history and accounting of the capital improvements the SFSD has made to date at the Treasure Island Brig.

1996 – In anticipation of the CCSF taking over the Treasure Island & Yerba Buena Island properties from the U. S. Navy, inspections of the various buildings were performed by CCSF and California State officials having jurisdiction. In mid 1996 (May & June) the SFSD received copies of seismic, building code, and fire/life safety code deficiency reports from the CCSF, California Board of Corrections, and California State Fire Marshal. The SFSD also reviewed the Brig to determine what security or operational modifications would have to be made to accommodate prisoners.

1997 - Based upon the above surveys and reports, the SFSD developed a scope of work to correct the code, security and operational issues. From this scope of work a capital budget was developed and submitted to the CCSF as supplemental budget request in August of that year. This supplemental budget request, along with an ordinance permitting the SFSD to contract for the work, was approved by the CCSF Board of Supervisors in November 1997. The scope of work was divided into three basic contracts as indicated below:

Electronic Security System Improvements:

Scope: Replace central control panel, add CCTV cameras and monitors, repair and replace locks and moving gates.
Cost: $240,000
Time: January – April 1998

Prisoner Exercise Yard Improvements:

Scope: Replaces old fencing with new double security fence and paves over gravel exercise yards.
Cost: $340,000
Time: July – November 1998

Fire/Life Safety Upgrades:

Scope: Replaces old fire alarm system, apply spray-on cementitious fire proofing on underside of roofs and roofing supports, replaces several doors and frames with code compliant assemblies, remodels paths of travel to provide clear fire exit routes, and upgrades and expands the fire sprinkler system.

Cost: $800,000

Time: September 1998 – March 1999

In addition to the above, the SFSD has made improvements to the temperature control system of the Brig, as well as installed some kitchen equipment.

The CCSF still has some disability access issues at the Brig, but at this point we have closed out all construction contracts, and any disability access issues would be addressed in the future.

If you have any questions, please call.

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Item 6 – File 01-0270

Item: Supplemental appropriation ordinance in the amount of $100,000 for earthquake relief to India.

Amount: $100,000

Source of funds: General Fund Reserve

Description: According to recent news reports, on January 26, 2001 an earthquake measuring 7.9 on the Richter scale occurred in India killing over 19,000 persons and leaving thousands homeless. The proposed supplemental appropriation would commit $100,000 for disaster relief in India.

According to the Office of the Sponsor of the proposed ordinance, the proposed supplemental appropriation of $100,000 to India would be coordinated with the Indo-American Trade and Commerce Council's Gujarat Earthquake Relief Fund for FY 2000-01.

According to Mr. Steve Kawa of the Mayor's Office, the disaster relief contribution would be disbursed through the Mayor's Office of Economic Development (MOED). Mr. Kawa adds that MOED would be responsible for assuring that the funds are contributed to the Indo-American Trade and Commerce Council Relief Fund and used for the intended purpose of providing relief for the India earthquake victims.

Comments: 1. On February 5, 2001, the Board of Supervisors approved a resolution (File 01-0176) expressing sympathy and concern for the earthquake victims in western state of Gujarat, India, extending condolences to family members of those who have passed away and urging President Bush, the United States Senate and the House of Representatives to use all available resources and funds to augment and expedite existing relief efforts to earthquake victims and their families.

2. In October of 1999, the Board of Supervisors approved an appropriation of $250,000 for earthquake relief efforts in the City of Taipei. Also, in 1995, $50,000 was

appropriated by the Board of Supervisors for earthquake relief in the City of Osaka following the Kobe earthquake.

3. On February 21, 2001, the Finance Committee recommended approval of a supplemental appropriation of $100,000 for earthquake relief in El Salvador (File 01-0272).

Recommendation: Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

BOARD OF SUPERVISORS
BUDGET ANALYST

Item 8 – File 01-0223

Department: Department of Public Health (DPH)

Item: Resolution endorsing the transfer of State General Fund monies, previously allocated to the DPH, to the California Mental Health Directors Association for a contract to provide services to foster care and other Medi-Cal eligible children who are residents of San Francisco but are placed in facilities outside of San Francisco.

Amount: $48,330

Source of Funds: State of California General Fund

Description: In FY 1999-2000, the DPH began participating in a Statewide contract with other counties for the provision of mental health services to children placed in out-of-county foster care facilities. The California Mental Health Directors Association (CMHDA), a nonprofit organization comprised of mental health directors Statewide, entered into a contract with a Statewide Administrative Services Organization (ASO), a private behavioral health organization, in November of 1999, to provide mental health referral services for children placed in out-of-county foster care facilities. Under the current Statewide contract with ASO, a foster parent, requesting mental health services for a child residing in San Francisco to be placed in an out-of-county foster care facility, would not require prior DPH authorization as was previously required. Instead, the contractor, ASO, would be authorized to provide a mental health referral directly to the foster parent.

Under the ASO contract, the ASO would pay the mental health provider directly for the mental health services provided to foster care and other Medi-Cal eligible children and would receive reimbursement from CMHDA, including provider payments and administrative fees under the contract term period of November 1, 1999 through June 30, 2001.

Under the proposed resolution, San Francisco's DPH would transfer to CMHDA $48,330 of the State General

Fund monies previously allocated for distribution to San Francisco for such mental health services for FY 2000-01. These subject State General Fund monies would be used to reimburse CMHDA for payments made to the ASO for mental health services to be provided to foster care and other Medi-Cal eligible children who are residents of San Francisco but who are placed in facilities outside of San Francisco. According to Dr. Albert Eng from the DPH, the DPH, and not the State, determines the amount of State General Fund monies to be transferred to the CMHDA to contract with the ASO to provide services to foster care and other Medi-Cal eligible children placed outside of San Francisco. Dr. Eng estimates that the proposed transfer of $48,330 will be more than sufficient to cover the costs of mental health services provided to foster care and other Medi-Cal eligible children placed outside of San Francisco for FY 2000-2001.

In addition, San Francisco is eligible to receive $51,670 in Federal matching funds in FY 2000-01 for total funding of $100,000 ($48,330 State General Fund monies + $51,670 Federal matching funds) for the mental health services provided to children placed in out-of-county foster care facilities.

Comments:

1. According to Dr. Eng, the purpose of transferring the subject State funds in the amount of $48,330 from the State to the CMHDA, to provide reimbursement for the subject services, is to facilitate access to mental health services for foster children placed in out-of-county foster care facilities.

2. Dr. Eng states that the proposed transfer by DPH of State funds, previously allocated to the DPH, to the California Mental Health Directors Association would facilitate the authorization and reimbursement process for mental health services provided to children placed in out-of-county foster care facilities, and that the transfer of such funds would not result in any additional costs to San Francisco. The current contract with CMHDA for coordination with ASO will expire on June 30, 2001. Dr. Eng, anticipates that the contract with CMHDA would be renewed.

Recommendation: Approve the proposed resolution.

Harvey M. Rose

Supervisor Leno
Supervisor Peskin
Supervisor Gonzalez
Clerk of the Board
Controller
Steve Kawa